

# Draft Annual Report

MODIMOLLE LOCAL  
MUNICIPALITY

2013/2014



**Modimolle**  
Local Municipality



UNITY UNDERSTANDING AND SUCCESS

## CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

### COMPONENT A: MAYOR'S FOREWORD

#### **Mayor's Foreword**

It is a great honour and privilege that I present the Modimolle Local Municipality Annual Report for the year 2013/2014. The report aims to give account on the Municipal Manger's overview, performance highlights and department performance. During the year under review the municipality experienced highlights in terms of meeting our community expectations through our public participation programme and the targets sets in our Service Delivery Implementation Plan (SDBIP). Furthermore, the report represents the 2013/2014 financial statements as well as the Auditor General opinion.

The 2013/2014 Annual Report is presented according to Section 46 of the Local Government: Municipal Systems Act No 32 of 2000 and Sections 121 and 127(2) of the Local Government: Municipal Finance Management Act No 56 of 2003. The municipality must prepare an Annual Report for each financial year and the Mayor must table such report in Council within seven months after the end of each financial year.

The report takes cognisance to our strategic documents (Integrated Development Plan) which Council adopted and the outcome of the institutional performance.

#### **A. Vision**

The new vision of Modimolle was developed during the February 2012 and adopted by the IDP Representative Forum. The purpose of this revision was to ensure that it is appropriate, considering the development plans for the municipality and that it is aligned to the national vision for 2030.

### **“THE ECO-TOURISM DESTINATION OF CHOICE”**

#### **B. Key Service Delivery Improvements**

Our success on service delivery depends solely on collective efforts of working together to build better communities. We are proud to announce that we have improved the lives of our communities by achieving the following Key Service Delivery targets:

- Erection and completion of the Joe Slovo Bridge
- Paving of streets at Ward 7, 8 and 9 continuing in Mabatlane and Mabaleng
- Erection of Mabatlane Market Stalls
- Mabaleng Package Plant
- Electrification at Extension 10
- Establishment of a Township in Extension 13 in Phagameng
- The Modimolle substation was upgraded from 20MVA to 40MVA

#### **C. Public Participation**

During Public Participation Programme the needs of the community were captured in our IDP document as a strategic document and they were achieved as per their priorities.



Our success on service delivery depends solely, on collective efforts of working together to build better communities.

#### **D. Future Actions**

(Initiatives committed whereby service delivery will be improved over the next few years.)

#### **E. Conclusion**

It remains critical to acknowledge the role of the Executive Committee, Council and Management for their sterling hard work through all hardships to provide the excellent leadership.

Indeed, working together we can build better communities.

I thank you

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**COUNCILOR KGARETJA ELIZABETH LEKALAKALA**  
**MAYOR**

## COMPONENT B: EXECUTIVE SUMMARY

### 1.1. MUNICIPAL MANAGER'S OVERVIEW

The Local Government: Municipal Finance Management Act 56 of 2003 Section 121 read together with Section 46 of the Municipal Systems Act 32 of 2000 regulates the manner in which the Accounting Officer should prepare the Annual Report of the Municipality.

Modimolle Local Municipality continues to utilize the Integrated Development Plan (IDP) as our strategic plan that informs our quest to improve service delivery. Modimolle Local Municipality's IDP 2013/14 has been reviewed through a consultative process as outlined within the IDP approved Framework and reviewed Process Plan to produce the IDP document for 2012-2017. IDP Consultative meetings are prioritized to ensure public involvement and participation in the IDP review processes. These are seen as platforms and channels for our communities to express their needs and concerns.

Public participation was conducted through the IDP Representative forum, ward meetings in all wards, IDP Steering Committee and various portfolio committees and forums of the municipality. The legislative frameworks outlined in the Implementation phase were considered during the process of review of the IDP.

### 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

#### INTRODUCTION TO BACKGROUND DATA

The municipality provides water, sanitation, refuse collection and electricity in the municipal area. The municipality achieved a Blue Drop rating during the 2010/2011 financial year with 95.01%. Free basic services are provided to all indigent households registered on the indigent register. This includes 6kl water per month, 75kWh electricity and refuses removal free of charge.

#### Water:

The municipality is a water services authority and has approximately 19,804 registered households. Out of the registered households 281 households are indigent and receive the 6kl water per month and farm dwellers' water supply is the responsibility of farm owners. Water is provided by means of piped water inside yard, piped water from access point and piped water inside dwelling. The municipality receives surface water from Donkerpoort Dam and pipeline from Klipdrift Purification Works (Magalies Water) and ground water from Perdelaagte borehole, Mabaleng borehole and Mabatlane boreholes. Currently a water shortage exists in the Vaalwater area which is solely dependent on boreholes. In some extensions water carts are used to supply water to the community. The reservoir in Vaalwater is 3 mega litres capacity. The municipality is currently upgrading the water pipelines, however, a water shortage still exist in the area. Sufficient water sources have been identified on private farms in Vaalwater, but the land prices are high.

#### Sanitation:

Modimolle waste water treatment plant is currently running at its full capacity of 3ML/day treating an average of  $\pm 4.5\text{ml/d}$ . The municipality is expanding the existing sewer treatment plant by another 3ML/day although it has been indicated that the new expansions will still not address the full demand that currently exists. The existing sewer capacities constrain future development in the municipality plant. Vaalwater is currently using oxidation ponds, but the [ponds are over flowing which poses an environmental challenge, especially in rainy seasons, due to the close proximity to



the Mokolo River. Alma presently has no waste water treatment plant. 480 households in Alma and 400 households in Vaalwater have a backlog respectively.

#### Electricity:

Modimolle Local Municipality is an electricity service provider and currently has a total of 23MVA capacity to supply the community. Out of the 23MVA, Modimolle town has 20MVA of which its optimum utilization is  $\pm 16$ MVA. The Vaalwater area has a transformer of 3MVA and currently using 2.8 MVA. There is a need for additional capacity of 20MVA in Modimolle Town and 10 MVA in Vaalwater to enable further development. ESKOM provides farming communities with electricity.

The municipality has intentions to upgrade the internal capacity. However, it is challenged with lack of funds. DBSA has been approached with application of a loan of  $\pm R25$ m, whereas another option is to apply for a grant of  $\pm R15$ m from Department of Energy which the municipality had already explored through submission of a Business Plan.

To be noted is that the municipality strives to develop programmes that seeks to promote principles of green energy as encouraged to all energy consumers and suppliers through COP 17 South Africa 2011. The municipality has developed a draft Strategy on Energy Efficiency. This project will be implemented at municipal level.

#### Waste Removal

The MLM has two licensed landfill sites, one in Vaalwater and the other in Modimolle/Phagameng, with a total capacity of 320 000m<sup>3</sup> and the total general waste collected is 840 000 m<sup>3</sup>. Currently there is a need to relocate the Modimolle Town Land Fill Site as it is at close proximity to the newly developed extension 10 township. The legal status of both the land fill sites in Vaalwater and the Modimolle town is being compromised.

The Vaalwater land fill site is compromised by the encroachment of Leseding Extension 2 and new Extension 3 development and Modimolle is compromised by the new Extension 10 development. The landfill site in Vaalwater is being rehabilitated with the assistance of Waterberg District Municipality. The District is currently considering the establishment of a district wide landfill site. The municipality has identified a new Landfill site in Modimolle and the process of establishment of the site is underway.

Waste collection service is provided to 18,000 households, including informal settlements. Farms and game lodges dump on their private properties. Farmers are required to acquire legal environmental certificates that permits them to do dumping at a minimal scale in designated private areas. The backlog of refuse removal is 2000 and target for 2012/13 is 81165. A challenge exist to establish infrastructure for refuse removal. Medical and hazardous waste are not accepted at the landfill sites. Waste oil is recycled by private companies in Gauteng.

#### Housing:

The municipality is characterized by townships, farms and informal settlements. The unemployment rate increased rapidly during the focus shift due to the increase in evicted farm workers. The increasing housing backlog in the municipality is a huge challenge. The current RDP housing backlog is approximately 4,500 units. Most of the housing structures are mainly built out of brick and cement and informal settlements are 100% tin houses. The municipality has developed a Housing Chapter which has to provide guide to the above mentioned situation.

## Roads:

Modimolle strategically located with close proximity to Pretoria, Polokwane, Lephalale, Groblersdal and Lebowaqomo. Modimolle is accessible to the N1, that links Gauteng Province and Limpopo Province and the R33 is a freight corridor that connects the east and the west. It is used mostly by trucks passing through Modimolle to Lephalale Local Municipality. The road is very narrow and many accidents have occurred due to the amount of trucks using the road.

The existing road infrastructure within MLM's jurisdiction comprise of provincial, district and local roads. In general, the road network within the municipal area consists of gravel, concrete blocks and surfaced roads. The existing municipal road network comprises of a total of 186,4km. It is of particular importance that the bulk of the surfaced road network is still in a relatively good to fair condition ( $\pm 85\%$ ) and subsequently, with appropriate and timeous intervention, the integrity of the majority of the existing surface road network can be preserved.

## Public Transport System:

The MLM has four taxi ranks, one in Vaalwater (Mabatlane), two in Modimolle town and one in Phagameng. The distance from Phagameng to Modimolle CBD is about 3.5km by which some people prefer to walk to town. There is currently no taxi rank in Alma (Mabaleng) and most people are transported by private car owners. Public transport to Alma from Modimolle town is currently being challenged by the District road condition. The two access roads to Alma are district roads and currently gravel roads.

The railway line connecting the south to the north is currently active and are being utilised for both passengers and freight goods. The railway link from Modimolle to Vaalwater (Mabatlane) is currently closed and was previously used to transport agricultural products. The municipality is not a transport authority. Currently MLM do not have a bus transport network. The existing transport network is adequate at this time, although it should be noted that the network must be re-evaluated regarding proposed development.

## Local Economic Development:

Modimolle has an approved LED Strategy. The strategy has indicated that Modimolle Local Municipality has a Tress Index of 51.7 %, which it is a clear indication that the economy is neither diversified nor concentrated. The economy is reliant on more than one sector and thus not vulnerable to external impacts.

Agricultural Sector is the most comparative sector with a high local quotient. This implies that the sector is serving needs beyond the sector, exporting goods and services from this sector.

Mining, Utilities and Government Services have a low local quotient, this implies that local needs are not being met by residents sector, the municipality is importing goods and services in this sectors.

## Demographics:

Municipal population according to the official census of 2001 was 72 810 comprising 17 544 households. Estimates of population at the settlement level that are compiled by the Department of Water Affairs (DWA) for water service planning purpose suggest a population figure of 76643 persons for Modimolle Local Municipality in 2011, comprising 19132 households. The average size is 4 persons. This is probably the more accurate reflection of the local demographic situation. It could



be assumed that the average population growth rate in Modimolle Local Municipality will be similar to the provincial population growth rate of 0.94% per year. The higher population growth rate of the past decade was caused by people migrating from rural areas to Modimolle town, but this migration process has now stabilized.

T 1.2.1

#### **Population in Modimolle Municipality:**

|                   | Census (2007) | Department of Water Affairs Database (2011) | MLM Council Data (2009) | Census According to Ward (2007) | Government Communication Information Systems |
|-------------------|---------------|---|-------------------------|---------------------------------|--|
| <b>Population</b> |               | 76 643                                      | None                    | 72 790                          |  |
| <b>Households</b> |               | 19 132                                      | 30 000                  |                                 |  |

Source: Stats SA

#### **Employment Statistics:**

| Indicator   | 2011  | 2012  | 2013  |
|---|-------|-------|-------|
| <b>Population –Total(Number)</b>                  | 62963 | 60536 | 60068 |
| <b>Population-Working age (Number)</b>            | 41132 | 39945 | 40010 |
| <b>Employed-Formal and informal-Total(Number)</b> | 20504 | 19970 | 19142 |
| <b>Unemployed (Number)</b>                        | 5467  | 4799  | 4391  |
| <b>Unemployed rate (%)</b>                        | 21.1  | 19.4  | 18.7  |
| <b>Labour force participation rate (%)</b>        | 63.1  | 62.0  | 58.8  |

Unemployed in Modimolle Local Municipality is lower than the provincial average, which could be due to the high incidence of retired people in this municipality. The labour force participation rate is also considerably higher than the provincial average. This could be the result of younger adults moving to Gauteng in search of work opportunities.

#### **Employment Sector in Modimolle Local Municipality:**

|                | Male | Female | Grand Total |
|----------------|------|--------|-------------|
| <b>0 - 4</b>   | 2536 | 2659   | 5195        |
| <b>5 - 9</b>   | 2886 | 2135   | 5021        |
| <b>10 - 14</b> | 2467 | 2500   | 4967        |
| <b>15 - 19</b> | 2016 | 2881   | 4897        |

## CHAPTER 2 – GOVERNANCE

### INTRODUCTION TO GOVERNANCE

The Modimolle Local Municipality is constituted by the following Governance Structures namely:

- The Council
- Executive Committee (EXCO)
- Section 79 Council Committees
- Rules Committee
- Ward Committees
- And other Section 79 Committees such as Municipal Public Accounts Committee (MPAC), Audit Committee (AC) and
- Performance Audit Committee
- Performance Audit Committee (PAC)

Political Decisions are the competency of the Municipal Council.

Council Ordinary meets four times a year.

In terms of Section 160(2) of the Constitution of the Republic of South Africa Act, (Act 108 of 1996) the following functions of the Municipal Council may not be delegated to any governance structures such as Executive Committee, Council Committee, PAC, AC etc.

- (a) the passing of by-laws
- (b) the approval of budgets
- (c) the imposition of rates, taxes, levies and duties, and
- (d) the raising of loans



A **Municipal Council** has the following rights and duties in terms of Local Government: Municipal Systems Act 32 of 2000 (Chapter 2, Section 4)

- (a) govern the local government affairs of the local community
- (b) exercise the municipality's executive and legislative authority
- (c) finance the affairs of the municipality by:
  - (i) charging fees for services and
  - (ii) imposing surcharges on fees, rates on property and other taxes, levies and duties

The Council may further:

- exercises the municipality's executive and legislative authority and use the resources of the municipality in the best interests of the local community.
- provide democratic and accountable government
- Encourage the involvement of the local community
- Ensure that municipal services are provided to the local community in a financially and environmental sustainable manner.
- Give members of the local community equitable access to the municipal services entitled to them
- promote and undertake development in the municipality
- promote gender equity in the exercise of the municipality's executive and legislative authority
- promote a safe and healthy environment in the municipality
- the municipality must in the exercise of its executive and legislative authority respect the rights of citizens and those of other persons protected by the Bill of Rights.

2.1 POLITICAL GOVERNANCE

The Municipality has established Section 79 Council Committees in terms of Section 79 of the Local Government: Municipal Structures Act of 1998, as amended, to perform its functions effectively and efficiently. Section 79 Council Committee have been re-constituted twice per council resolutions A263/8/2013 and A317/2/14 to improve effectiveness. In addition to the Section 79 Committees are the Rules Committee, Municipal Public Accounts Committee (MPAC), Audit Committee and Performance Audit Committee which are functional.

The Audit Committee and Performance Audit Committee are composed of external professionals who are not in the employment of the municipality. The two committees are advisory bodies of Council. The committees must meet at least four times a year.

The Municipal Public Accounts Committee is composed / constituted of non-executive Councilors.

The Rules Committee is composed /constituted of the Speaker and three non-executive Councilors

Council has four (4) full-time Councilors holding the position of the Mayor, Speaker, Chief Whip and member of the Executive Committee.

POLITICAL STRUCTURE (Full-time Councilors)



**Mayor**

Clr K E Lekalakala



**Speaker**

Clr S A Sebolai



**Chief Whip**

Clr N G Matshitišho



**Member**

Clr M P Kekana



## EXECUTIVE COMMITTEE



**Mayor**

Clr K E Lekalakala



**Member**

Clr G Ferreira



**Member**

Clr M P Kekana

The Executive Committee meets monthly to take decisions on matters presented to it from the Council Committee and other administrative matters as delegated in terms of Section 59 of Local Government: Municipal Systems Act 32 of 2000.

The **Executive Committee** has the following powers:

- Identify the needs of the municipality, review and evaluate those needs in order of priority.
- Recommend to the municipal Council Strategies, programmes and services to address priority needs through the integrated development plan and estimated of revenue and expenditure, taking into account any applicable National and Provincial development plans, and
- Recommend or determine the best methods, including partnership and other approaches, to deliver those strategies, programmes and services to the maximum benefit of the community.
- Evaluate progress against the key performance indicators.
- Monitor the management of the municipality's administration in accordance with the policy directions of the municipal council.
- Oversee the provision of services to communities in the municipality in a sustainable manner.
- Ensure that regard is given to public views and report on the effect or consultation on the decision of the council.
- Annual Report on the involvement of communities and community organisations in the affairs of the municipality.

Other part-time Councillors are expected to play a political role in representing residents and stakeholders representing the community structures. PR Councillors assist the ward councillors with the management of wards.

Other part-time Councillors are Chairpersons of Section 79 Council Committees

Clr Laubscher was inaugurated in January 2014 after the by-elections were held in November 2014. (Council Resolution A302/1/2014)

The Council is constituted of the following Councillors:

## COUNCIL



**Speaker**

Clr S A Sebolai



**Chief Whip**

Clr N G Matshitišho



**Mayor**

Clr K E Lekalakala



Clr G Ferreira



Clr S J Moropene



Clr M S Ledwaba



Clr A N Shongoane



Clr R P Mashaba



Clr S D Sebelebele



Clr J Nel



Clr M S Olifant



Clr M F Marutha



Clr M P Nyamah



Clr M S Motshegoa



Clr W L Botes



Clr M P Kekana



Clr N G Mojela


Clr M Laubscher

Council comprises of the following Section 79 Committees:

1. Budget and Treasury Committee
2. Technical Services Committee
3. Planning and Economic Development
4. Social and Community Services Committee
5. Corporate Services Committee
6. Rules Committee
7. Municipal Public Account Committee
8. Audit Committee
9. Performance Audit Committee



1. Council Committee: Budget and Treasury

|   |  |  |
|---|--|--|
|  |  |  |
| <b>Chairperson</b><br>Clr W L Botes   | <b>Member</b><br>Clr M P Nyamah  | <b>Member</b><br>Clr K E Lekalakala  |

2. Council Committee: Technical Services

|   |   |   |
|---|---|---|
|  |  |  |
| <b>Chairperson</b><br>Clr N G Matshitišo  | <b>Member</b><br>Clr N J Mojela   | <b>Member</b><br>Clr S J Moropene   |

3. Council Committee: Planning and Economic Development

|  |  |  |
|--|--|--|
|  |  |  |
| <b>Chairperson</b><br>Clr M S Matshegoa  | <b>Member</b><br>Clr N A Shongoane   | <b>Member</b><br>Clr S A Sebolai   |

4. Council Committee: Social and Community Services



**Chairperson**  
Clr M F Marutha



**Member**  
Clr M P Kekana



**Member**  
Clr M P Nyamah



**Member**  
Clr M S Ledwaba

5. Council Committee: Corporate Services



**Chairperson**  
Clr M S Olifant



**Member**  
Clr J Nel



**Member**  
Clr R P Mashaba



**Member**  
Clr SD Sebelebele

The other committees of Council are constituted as follows:

6. Rules Committee

|                 |   |             |
|-----------------|---|-------------|
| Clr S A Sebolai | - | Chairperson |
| Clr G Ferreira  | - | Member      |
| Clr M S Olifant | - | Member      |
| Clr M P Nyamah  | - | Member      |

7. Municipal Public Accounts Committee

|                    |   |             |
|--------------------|---|-------------|
| Clr R P Mashaba    | - | Chairperson |
| Clr J Nel          | - | Member      |
| Clr A N Shongoane  | - | Member      |
| Clr S J Moropene   | - | Member      |
| Clr M S Ledwaba    | - | Member      |
| Clr S D Sebelebele | - | Member      |
| Clr G Ferreira     | - | Member      |

**8. Performance Audit Committee**

|                |   |             |
|----------------|---|-------------|
| Mr L Mphahlele | - | Chairperson |
| Mr S Ramdipe   | - | Member      |
| Ms Nkomo       | - | Member      |

**9. Audit Committee**

|                 |   |             |
|-----------------|---|-------------|
| Mr M A Mashigo  | - | Chairperson |
| Mr K E Seletela | - | Member      |
| Mr S A Ngobeni  | - | Member      |
| Mr S Ramdipe    | - | Member      |

Section 18(2) of the Local Municipal: Structures Act 118 of 1998 provides that a municipal council must meet at least quarterly.

The following **Ordinary Council** meetings scheduled in terms of the above legislation took place as follows:

| <u>Date of meeting</u> |   | <u>Number of Councillors attendees</u> |
|------------------------|---|--|
| 8 October 2013         | - | 14 Councillors attended                |
| 17 December 2013       | - | 16 Councillors attended                |
| 24 January 2014        | - | 15 Councillors attended                |
| 27 February 2014       | - | 17 Councillors attended                |
| 19 May 2014            | - | 15 Councillors attended                |

A total of **9 Special Council meetings** took place:

| <u>Date of meeting</u> |   | <u>Number of Councillors attendees</u> |
|------------------------|---|--|
| 6 August 2013          | - | 14 Councillors attended                |
| 26 August 2013         | - | 9 Councillors attended                 |
| 30 August 2013         | - | 12 Councillors attended                |
| 19 November 2013       | - | 17 Councillors attended                |
| 27 November 2013       | - | 11 Councillors attended                |
| 9 December 2013        | - | 15 Councillors attended                |
| 4 January 2014         | - | 14 Councillors attended                |
| 4 February 2014        | - | 15 Councillors attended                |
| 28 March 2014          | - | 14 Councillors attended                |
| 30 May 2014            | - | 15 Councillors attended                |



## **POLITICAL DECISION-TAKING**

Council has elected to hold Executive Committee meetings monthly. A schedule was agreed to in terms of Council resolution A295/11/2013 read with A316/2/2014. This includes Special Executive Committee meetings to approve the Draft IDP/ Budget and final IDP/Budget.

Council take political decisions on matters that are delegated to it by legislation, and powers reserved for the Council by way of resolution. Examples of powers reserved for Council by legislation are, passing of by-laws, adoption of council's budget, imposition of rates, taxes, levies and duties, raising of loans and adoption of IDP.

Examples of powers reserved for Council by legislation are, power to approve any excess expenditure on the approved budget, power to approve policy documents, power to approve and amend the municipality's organizational and operational structure, delegating powers to Executive Committee and Municipal Manager etc.

The Executive Committee is delegated with certain powers by Council to take decision on its behalf. The Executive Committee meets monthly. The Executive Committee comprises of three councillors.

The Executive Committee decides on matters that are delegated to it by legislation i.e. Local Government: Municipal Structure Act of 1998 Section 49, 50 and 59 and Local Government: Municipal Systems Act of 2000 (Section 30, 39, 60 and 99)

A total of **10 Ordinary Executive Committee** meetings were held.

| <b><u>Date of meeting</u></b> | <b><u>Number of Councillors attendees</u></b> |
|-------------------------------|---|
| 30 July 2013                  | - 2 Councillors attended                      |
| 25 September 2013             | - 2 Councillors attended                      |
| 27 September 2013             | - 2 Councillors attended                      |
| 29 October 2013               | - 3 Councillors attended                      |
| 25 November 2013              | - 3 Councillors attended                      |
| 17 January 2014               | - 3 Councillors attended                      |
| 26 February 2014              | - 3 Councillors attended                      |
| 27 March 2014                 | - 3 Councillors attended                      |
| 25 April 2014                 | - 3 Councillors attended                      |
| 27 May 2014                   | - 3 Councillors attended                      |
| 27 June 2014                  | - 3 Councillors attended                      |

A total of 2 Special Executive Committee meeting were held:

| <u>Date of meeting</u> |   | <u>Number of Councillors attendees</u> |
|------------------------|---|--|
| 30 August 2013         | - | 2 Councillors attended                 |
| 19 November 2013       | - | 2 Councillors attended                 |

In the year under review one hundred and eighty seven (187) Council resolutions were taken and eighty one (81) were completed (implemented and hundred and six (109) not fully implemented. (Town Planning resolutions are mostly in progress i.e. sub-divisions, rezoning, consolidations etc).

**The Section 79 Council Committees:**

1. Budget and Treasury Council Committee
2. Technical Services Council Committee
3. Planning and Economic Development Council Committee
4. Social and Community Services Council Committee
5. Corporate Services Council Committee
6. Rules Committee
7. Municipal Public Account Committee
8. Audit Committee
9. Performance Audit Committee

**POWERS, FUNCTIONS AND DUTIES OF AUDIT COMMITTEE**

The Audit Committee's functions and duties in terms of the Local Government: Municipal Finance Management Act 56 of 2003 are :

- Advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, the accounting officer and the management staff of the municipal entity.
- Review the Annual Financial Statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency, effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation.
- Respond to the council on any issues raised by the Auditor General in the Audit Report.

- Carry out such investigations into the financial affairs of the municipality.
- Perform such other functions as may be prescribed

**POWERS, FUNCTIONS AND DUTIES OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

The Municipal Public Account Committee (MPAC) is established in terms of the Guidelines for Establishment of Municipal Public Accounts Committee as published by the Department of National Treasury.

Municipal Public Account Committee (MPAC) is established in terms of Section 79 of the Municipal Structures Act and performs an oversight function on behalf of Council.

The Committees functions are:

- To consider and evaluate the content of the annual report and to make recommendations to Council when adopting an oversight report on the Annual Report.
- To promote good governance, transparency and accountability on use of municipal resources
- To recommend or undertake any investigation in its area of responsibility, after reviewing any investigation report already undertaken by the municipality or Audit Committee
- To perform any other functions assigned to it through a resolution of Council within its responsibility

**The Section 79 Council Committees met as follows:**

| <b><u>Name of Committee</u></b>         | <b><u>Number of meetings held</u></b> |
|---|---------------------------------------|
| Budget and Treasury Committee           | - 9 meetings                          |
| Technical Services Committee            | - 8 meetings                          |
| Planning and Economic Development       | - - meetings                          |
| Social and Community Services Committee | - 7 meetings                          |
| Corporate Services Committee            | - 9 meetings                          |
| Rules Committee                         | - No meetings                         |
| Municipal Public Account Committee      | - 6 meetings                          |
| Audit Committee                         | - - meetings                          |
| Performance Audit Committee             | - 3 meetings                          |

The Administrative Division wishes to improve the administrative and the secretariat services to Council and its committees.

The division wishes to have an effective and efficient administrative support system to Council.



### **FUNCTIONS OF THE MAYOR:**

- Preside over meetings of the Executive Committee.
- Performs the duties and functions prescribed by legislation, including any ceremonial functions and exercises the powers delegated to the Mayor by the Council or Executive Committee as reflected in the delegation policy of the MLM.
- Preside at Public Meetings and hearings called by the Executive Committee.
- Receive petitions on behalf of the municipality when requested to do so by petitioners.
- Ensure that the Executive Committee reports to council are adequate for facilitating the council's oversight functions in relations to committee and mayors.

### **FUNCTIONS OF THE SPEAKER**

- Presides over meetings of Council; (chair of council meetings)
- Performs the duties and exercise the powers delegated to the Speaker in terms of Section 59 of the MSA; Local : Government Municipal Systems Act 32 of 2000.
- Ensure that Council meets at least quarterly.
- Maintain order during meetings;
- Ensure compliance in the Council and Council Committees with Code of Conduct set out in schedule 1 of MSA;
- Ensure that Council meetings are conducted in accordance with Rules and Orders of the council;
- Provide support to councillors.
- Any function as per delegation register of MLM
- Establishment and functioning of Ward Committees

### **FUNCTIONS OF THE CHIEF WHIP**

- Informs Councillors of Council and Executive Committees meetings called by the Speaker and Mayor respectively;
- Advises the Speaker and Mayor on the agenda of Council meetings;
- Advises the Speaker and the Mayor of urgent motions in writing prior to the commencement of the meeting;

- Ensure that political parties hold party caucuses prior to Council meetings to ensure smooth running of Council meetings;
- Assists the Speaker with counting of votes.
- Political management of Council meetings and committee meetings.
- Ensure that councillors motions are prepared and timeously table in terms of the procedural rules of council

## 2.4 ADMINISTRATIVE GOVERNANCE

### The Following Values and Principles govern the Municipal Administration:

- A high standard of professional ethics.
- Efficient, economic and effective use of resources.
- A development orientation.
- Impartial, fair, equitable and unbiased services provision.
- Responsiveness.
- Public participation in policy making.
- Accountability.
- Transparency by providing the public with timely, accessible and accurate information.
- Good human resource management and career development practices to maximize human potential.
- Representing with employment and personnel management practices based on ability, objectivity, fairness and the need to redress the imbalances of the past to achieve broad presentation.
- Legislation requires of the administration to be responsive to the needs of the local community.
- Facilitate a culture of public service and accountability amongst staff.
- Take measures to prevent corruption
- Establish clear relationship and facilitate co-operation and communication between it and local community
- Give members of the local community full and accurate information about the level and standard of municipal services they are entitled to receive and;
- Inform the local community how the municipality is managed of the cost involved and the persons in charge .

### A municipal administration must enable it to:

- Respond to the need of the community.
- Facilitate a culture of public service and accountability amongst staff.

- Be performance orientated.
- Focus on the object and development duties of local government set in the constitution.
- Align the roles and responsibility of its political structures, political office bearers, managers, and other employees with the priorities and objectives set out in the municipality's integrated development plan.
- Assign clear responsibilities for the management and co-ordination of administrative units and mechanism
- Hold the municipal manager accountable for the overall performance of the administration.
- Implement the lawful policies, resolutions and by-laws of the municipal council and the policies and laws of other sphere of government.
- Advices the Council and its structures.
- Make administrative operational policies.
- Managers operates and maintains the priorities of services in a sustainable and equitable manner.
- Administrating the affairs of the municipality.
- Manages the municipality's resources.

## TOP ADMINISTRATIVE STRUCTURE



**MUNICIPAL MANAGER**

Mr N S Bambo



**MANAGER:  
TECHNICAL SERVICES**

Mr N Sikhwivhulu



**CHIEF FINANCIAL OFFICER**

Ms T M Malthabatha



**MANAGER:  
CORPORATE SERVICES**

Mr N J Moagi



**ACTING MANAGER:  
SOCIAL AND COMMUNITY SERVICES**

Mr A W Claassens



**Municipality has five departments which are the following:**

- Budget and Treasury
- Corporate Services
- Technical Services
- Social and Community Services
- Planning and Economic Development

**Functions of the Municipal Manager:**

- Advises the structures and functionaries of the Municipality.
- Carries out the decision of the structures and functionaries of the Municipality.
- Administers and implements the Municipality's by-laws, resolutions and policies.
- Ensure that the Municipality complies with applicable Municipal Finance Management Legislation.
- Implements National and Provincial legislation applicable to the Municipality.

**Functions of the Chief Financial Officer**

- Manage Revenue Collections.
- Manage Expenditure Controls.
- Manage Budget Services.
- Manage Supply Chain.
- Asset Management.

**Functions of Corporate Services**

- Render HR Management.
- Provide legal advisory services.
- Manage and maintain municipal administration.
- Manage public participation.
- Provide support to political office bearers.
- Provide communication to the municipality.
- Provide secretariat service to council and its committees.

### **Functions of Technical Services**

- Ensure adherence to Council Engineering standard .
- Render Waste Management Services.
- Provide Projected Management for implementation of infrastructure development .
- Water Management
- Electro technical management

### **Function of Planning and Economic Development**

- Render Strategic Support Services.
- Manage annual IDP reviews.
- Institutionalize, manage, and monitor PMS.
- Manage maintain and co-ordinate IGR.
- Compile, manage and monitor SDBIP.
- Render LED service.
- Render land use and Town Planning Services and GIS.
- Co-ordinates all reports relating to the above functions.

### **Functions Social and Community Services**

- Renders environmental health services to the community.
- Renders social services including Library, Sport, Art and Recreation, Disaster Management, Parks and Cemeteries.
- Traffic Protection Services.

## **WARD COMMITTEE REPORT 2013/2014**

The Modimolle Local Municipality has established nine Ward Committees within its municipality jurisdiction in terms of Section 73 of the Local Government: Municipal Structures Act of 1998 (Act 117 of 1998) and Council's By-Laws on the establishment of Ward Committees. The term of office of ward committees is for a period aligned to the term of office of council.

Council has adopted a policy on Provision of Administrative Support to Ward Committees.

The policy deals with administrative assistance which is afforded to Ward Committee Members in the form of facilitating programmes of Ward Committees, provision of venues for meetings, procurement of logistical resources and capacity building (training).

Ward Committee members receive an allowance of R1 000,00 on monthly basis and this is regulated in terms of the Policy on Out of Pocket Allowances.

During the 2013/2014 financial year an amount of R890 000 was allocated to Modimolle Local Municipality through the municipal systems improvement grant (MSIG). From the above grant funding only R290 was allocated to assist the operations and administering ward committee functions.

The amount was earmarked and used for the provision of logistical materials such as stationery, T-shirts, hats, fisherman's jackets, and bag packs for ward committees members to assist them to execute their functions effectively.

Training of ward committee secretaries was held on 14 and 15 May 2014 arranged by the Department of Co-operative Governance, Human Settlement and Traditional Affairs (GOGHSTA)

A conference for ward committee members was arranged and held from 10 – 11 November 2013.

A follow up/feedback session was held on 10/05/2014 at the Mabatlane Community Hall. During the conference issues were raised by ward committees which required answers and comment from management and councillors.



**WARD COMMITTEE FUNCTIONALITY – ESTABLISHMENT OF WARD COMMITTEES**

**JULY 2013 – JUNE 2014**

|        | JUL | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR | APRIL | MAY | JUN |
|--------|-----|-----|------|-----|-----|-----|-----|-----|-----|-------|-----|-----|
| WARD 1 | -   | -   | -    | -   | -   | -   | -   | -   | -   | -     | -   | -   |
| WARD 2 | -   | -   | -    | -   | ✓   | -   | -   | -   | -   | -     | -   | -   |
| WARD 3 | -   | -   | -    | ✓   | -   | -   | ✓   | -   | -   | -     | ✓   | ✓   |
| WARD 4 | -   | -   | ✓    | ✓   | -   | -   | -   | -   | -   | -     | -   | ✓   |
| WARD 5 | -   | -   | -    | ✓   | -   | -   | ✓   | ✓   | ✓   | ✓     | ✓   | ✓   |
| WARD 6 | -   | -   | -    | ✓   | ✓   | -   | ✓   | ✓   | ✓   | ✓     | ✓   | ✓   |
| WARD 7 | -   | -   | -    | -   | -   | -   | ✓   | -   | -   | ✓     | -   | ✓   |
| WARD 8 | ✓   | ✓   | ✓    | -   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓     | ✓   | ✓   |
| WARD 9 | -   | -   | -    | -   | -   | -   | -   | -   | -   | -     | -   | -   |

**PUBLIC MEETING**

| Nature and purpose of meeting | Dates of events | Number of participating municipal councillors | Number of participating municipal administrator | Number of community members attending | Dates and manner of feedback given to community |
|-------------------------------|-----------------|---|---|---------------------------------------|---|
| Back-to-School Campaign       | 10/01/2012      | 12  | 05  | 42                                    | Outreach  |
| Older Persons Day             | 14/11/2012      | 11  | 06  | 204                                   | Outreach  |
| 16 days of Activism           | 06/12/2012      | 08  | 06  | 185                                   | Campaign  |
| World AIDS Day                | 06/12/2012      | 08  | 06  | 186                                   | Outreach  |
| Childrens Day(orphans)        | 24/12/2012      | 09  | 04  | 194                                   | Outreach  |
| Hospital visit                | 25/12/2012      |   |   |                                       | Outreach  |
| Launching of AIDS Council     | 01/10/2012      | 03  | 04  | 29                                    | Seminer   |
| International Disability Day  | 12/12/2012      | 08  | 06  | 152                                   | Outreach  |

**PROPERTY MATTERS**

- The implementation of the property roll continued for the 2013/2014 financial year. The valuer compiled supplementary valuations on new developments, rezonings, sub-divisions and consolidations.
- A property audit was conducted and an item was presented and approved per Council Item A282/10/2013.
- Applications for funding to purchase land at Mabatlane and Modimolle were submitted to the Waterberg District Municipality Department of COGHSTA, Water and Environmental Affairs, Agriculture and Housing Development Agency .

## Chapter 3

### SERVICE DELIVERY PERFORMANCE

## INTRODUCTION

Municipalities are established in terms of the Constitution of the Republic of South Africa. The purpose and objectives of Municipalities are:

- a) to provide democratic and accountable government for local communities;
- b) to ensure the provision of services to communities on a sustainable manner;
- c) to promote social and economic development;
- d) to promote a safe and healthy environment; and
- e) to encourage the involvement of communities and community organisations in the matters of local government.

A municipality must strive, within its financial and administrative capacity, to achieve the objectives set out above.

Chapter 8 of the Municipal Systems Act (Act 32 of 2000) stipulates per section 73 as follows:

A municipality must give effect to the provisions of the Constitution and –

- a) give priority to the basic needs of the local community;
- b) promote the development of the local community; and
- c) ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The municipality translated the above mentioned statutory objectives and customized it to the following municipal strategic objectives and outcomes:

| <b>Strategic Objective</b>                             | <b>Strategic Outcome</b>                                  |
|--|---|
| Promote the welfare of the community                   | Healthy and good living conditions                        |
| Promote and encourage sustainable economic environment | Prosperous community                                      |
| Plan for the future                                    | Sustainable communities                                   |
| Improve financial viability                            | Financial sustainability                                  |
| Resource management of infrastructure and services     | Increased accessibility of basic services                 |
| Improved administration and governance capacity        | Good governance   |
| Attract, develop and retain human capital              | Improved employee satisfaction and increased productivity |

The Modimolle Local Municipality is composed in such a way that both the purposes of the Constitution and the stipulations from the Systems Act are addressed.

The municipality has 3 line functions and 2 supports function departments that plan, budget and implement projects to maintain and deliver services to the communities around it.

The line function departments are the Technical, Social and Community and Strategic Planning departments. Supportive departments are Corporate Services and Financial Services.

#### **PROCESS IN COMPILING THE ANNUAL PERFORMANCE REPORT**

The process of compiling the Annual Performance Report starts each financial year in the first quarter when the Integrated Development Plan (IDP) Annual Process Plan is integrated. With this Process Plan community involvement is invited, stakeholders have the opportunity to give inputs and interested parties have the opportunity to share the planning process of the municipality.

During the second quarter, many stakeholder meetings are held in the attempt to disseminate information.

During the third quarter the IDP gets finalised and the draft budget and the operational plans as embodied in the Service Delivery Budget Implementation Plan (SDBIP), are linked to the IDP. This linkage between the IDP, Budget and SDBIP has to be very finely aligned, which means that a project identified in the IDP, has to be both budgeted and operationally planned for.

In the third quarter of the financial year the Performance Management Systems Framework, which must be reviewed annually, gets submitted for approval by Council.

In the third and fourth quarter, the Budget and SDBIP move from draft status to final status. These draft documents are tabled to the various Council Portfolio Committees for recommendations. The next step is the tabling at Executive Committee for recommendations to Council, who approve and adopt if satisfied with the contents of the documents.

The Annual Performance Report starts off with the performance monitoring of the performance of the first quarter. The Midyear Report (or MFMA Section 72 report) takes a hard look at performance for the first 6 months of the financial year. This report gets submitted to various government departments. The third quarter report is also crucial for reporting as the fourth quarter is ideally the quarter for finishing off the projects.

The fourth quarter report indicates the final status of completion of all projects listed for the recently concluded financial year. The fourth quarter report is therefore the report that informs the Annual Performance Report with the critical information on achievement and non-achievements for the past year.

The Annual Performance Report follows the format prescribed by National Treasury, as supplemented by requests from inter-alia the Department of Local Government.



## COMMUNITY PARTICIPATION

Community involvement in the process of mentoring, measuring and reviewing performance is important. The municipality must, after consultation with the local community, develop and implement mechanisms, systems and processes to monitor, measure and review performance.

To achieve this community involvement, and if there is no other appropriate municipal structure for community participation, the municipality must establish a forum for community participation.

In Modimolle Municipality's case it was not necessary to establish a duplicate forum for Performance issues per se. This was done due to the fact the performance review process was part of the IDP review process, the budget review process, the service delivery implementation plan monitoring and the annual report of the municipality.

It can be noted that duplicated processes were not established and that resources and time were not wasted by setting up other forums where the existing structure met the required objectives.

## GENERAL KEY PERFORMANCE INDICATORS

The following general key performance indicators are prescribed in terms of Section 43 of the Act:

- a) The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal: 17 525
- b) The percentage of households earning less than R1100 per month with access to free basic services: 3 714 indigents
- c) The percentage of municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan: 59%
- d) The number of jobs created through municipality's local economic development initiatives including capital projects: 150 jobs
- e) The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan:  $17/20 = 85\%$
- f) The percentage of a municipality's budget actually spent on implementing its workplace skills plan: 90% of the training vote of R484 389; 0.2% out of the total budget of R290 340 455

- g) Financial viability as expressed by the following ratios:

- i.  $A = \frac{B - C}{D}$

Where –

'A' represents debt coverage

'B' represents total operating revenue received

'C' represents operating grants

'D' represents debt service payment (i.e. interest + redemption) due within the financial year;

For Modimolle Local Municipality:  $A = \frac{168\,510\,947.00}{699\,071.92} = 241$

This implies that repayments due on long term debt (capital + interest) within the next 12 months are covered 241 times by operating revenue(excluding grants)

ii.  $A = \frac{B}{C}$  = Where –

'A' represents outstanding service debtors to revenue

'B' represents total outstanding service debtors

'C' represents annual revenue actually received for services

For Modimolle Local Municipality:  $A = \frac{113\,006\,369.00}{126\,011\,900.00} = 0.89$

Meaning that outstanding debt from service customer represents 89c in the Rand of the annual revenue actually received for services in the past financial year

iii.  $A = \frac{B + C}{D} = \frac{38\,361\,948.00}{15\,625\,221.00}$

Where –

'A' represents cost coverage

'B' represents all available cash at a particular time

'C' represents investments

'D' represents monthly fixed operating expenditure

For Modimolle Local Municipality:  $A = \frac{38\,361\,948.00}{15\,625\,221.00} = 2.45$  with

This implies that fixed monthly operational expenditure is covered 2.45 times by cash and investments on hand.

## PERFORMANCE CHALLENGES

Recognised Performance Challenges are those events identified and tabled as risks that will interfere and inhibit a project to be finished by the planned and desired time, or within the allocated budget.

The Municipal Risk unit operates under the Head Internal Audit division. it is currently understaffed and it has only one employee at its disposal.

Other factors that impact negatively on performance were vacancies at critical posts that lasted the whole financial year, rising cost of material and consultants not staying within their tender amounts as well as insufficient monitoring, reporting and the execution of remedial actions.

## **REMEDIAL ACTION**

The Municipal Systems Act addresses the core components that a Performance Management System must entail. The following components need to be present:

- i. Key Performance Indicators;
- ii. Measurable Performance Target;
- iii. Monitoring and Reviewing of Performance;
- iv. Steps taken to improve Performance; and
- v. Regular process of reporting.

In order to comply with the requirement of "steps taken to improve performance", the quarterly reporting templates have a column at the right hand side of the table titled "remedial action". In this column the actions to be taken to address under-performance have to be tabled and be reported to the Portfolio Committee, Audit and Performance Audit Committee, Management, Executive etc. Should it be necessary, the budget as well as the SDBIP gets adjusted at midyear to compensate for projects that have fallen behind scheduled.

## **COMPARING PREVIOUS YEAR'S PERFORMANCE**

No comparisons were made with the previous year's performance outcomes due to the fact that different key performance targets and projects were registered, the non-availability of statistics and the status of under capacity in the Strategic Planning and Economic Development Department.

## **ORGANOGRAM**

The Modimolle Local Municipality had a full time staff compliment of 370 employees. The approved organogram is attached as Annexure "C".

## **ALIGNMENT WITH IDP, BUDGET AND SDBIP**

The IDP , Budget and SDBIP alignment was discussed under the heading of "Process in Compiling the Annual Performance Report".

The 2013/2014 SDBIP saw an improvement on the previous year's document with regards to the alignment issue. This document did not table projects which were not listed in the IDP and not budgeted for.

The proper alignment between the three cornerstone documents assisted management in the day to day management of their projects as they knew that an issue was properly listed, budgeted and planned for.

## **CONCLUSIONARY REMARKS**

Every municipality is tasked to have a performance management system that will contribute to the objects mentioned in the introduction, and furthermore that will bring about the outcomes and impact for the development priorities and objectives set out in it's Integrated Development Plan.

Vote 1 - Office of the Municipal Manager

Owner: Municipal Manager

| Hierarchy  | ID   | KPI   | UOM | Annual Target | Baseline | June 2014 |        |                                    |            |                   | Variance from Annual Target 13/14 | Variance from 12/13 |
|--|------|---|-----|---------------|----------|-----------|--------|------------------------------------|------------|-------------------|-----------------------------------|---------------------|
|  |      |   |     |               |          | Target    | Actual | Achievement/ Comments              | Challenges | Corrective Action |                                   |                     |
| Basic Service Delivery/<br>Promote the welfare of the community/<br>Social Welfare                   | M-07 | Percentage share spent on free basic services                             | %   | 5%            | 5%       |           |        |                                    |            |                   |                                   |                     |
|  | M-08 | Percentage national and provincial HIV/AIDS programmes attended           | %   | 100%          | 100%     | 1         | 1      | Provincial Youth month Celebration | None       | None              |                                   |                     |
|  | M-09 | Percentage rand value budget spent on HIV/AIDS Awareness                  | %   | 100%          | 0%       | 100%      | 100%   | 100%                               | None       | None              |                                   |                     |
| Good Governance and Public Participation/ Development and Implementation of policies/ Administration | M-43 | Percentage Departmental meeting resolutions implemented per quarter       | %   | 100%          | 100%     | 100%      | 100%   | All resolutions implemented        | None       | None              |                                   |                     |
|  | M-36 | Percentage of Audit Plan activities implemented                           | %   | 100%          | 90%      |           | 85%    |                                    |            |                   |                                   |                     |
| Good Governance and Public Participation/ Development and Implementation of policies/ Administration | M-37 | Percentage AG qualifications raised resolved                              | %   | 100%          | 20%      |           |        |                                    |            |                   |                                   |                     |
|  | M-38 | Percentage AG audit qualifications raised related to department resolved  | %   | 100%          | 80%      |           |        |                                    |            |                   |                                   |                     |
|  | M-39 | Number of performance management reports audited by internal audit y.t.d. | No  | 4             | 2        |           | 4      |                                    |            |                   |                                   |                     |



| Hierarchy   | ID   | KPI  | UOM | Annual Target | Baseline | June 2014 |        |  |                       |   | Variance from Annual Target 13/14 | Variance from 12/13 |
|---|------|--|-----|---------------|----------|-----------|--------|--|-----------------------|---|-----------------------------------|---------------------|
|   |      |  |     |               |          | Target    | Actual | Achievement/ Comments  | Challenges            | Corrective Action   |                                   |                     |
| Good Governance and Public Participation/ Development and Implementation of policies/ Auditing                      | M-40 | Percentage Quarterly reports audited by the PAC  | %   | 100%          | 100%     |           | 3      |  |                       |   |                                   |                     |
|   | M-41 | Percentage internal audit queries resolved within agreed timeframes from issuing of internal audit report per department | %   | 100%          | 60%      |           | 75%    | Follow-up audits still to be conducted as per annual risk based audit plan |                       | Conducts follow-up audits as per annual risk-based Audit Plan |                                   |                     |
|   | M-42 | Percentage Identified Risks monitored and reported   | %   | 100%          | 30%      |           | 53%    | Budget constraints   |                       | Regular follow-up on risk register                            |                                   |                     |
|   | M-11 | Percentage Analysis and consolidation of GIS data  | %   | 100%          | 0%       |           |        |  |                       |   |                                   |                     |
| Good Governance and Public Participation\ Development and Implementation of policies\ Geographic Information System | M-44 | Number of strategic relations initiated  | No  | 2             | 0        |           |        |  |                       |   |                                   |                     |
|   | M-27 | Number of Local Imbizo held y.t.d.   | #   | 3             | 2        | 1         | 1      | IDP/Budget Road Show 2014/2015   | None                  | None  |                                   |                     |
|   | M-31 | Percentage Rand value spent on youth   | %   | 100%          | 0%       |           |        |  |                       |   |                                   |                     |
| Good Governance and Public Participation\ Ensure effective and efficient public participation\                      | M-32 | Number of Institutions exhibited at career exhibitions   | #   | 12            | 12       | 1         | 1      | 2 Exhibit during Youth Day Celebration and Public Participation Programme  |                       |   |                                   |                     |
|   | M-33 | Number of awareness workshops on substance abuse hosted y.t.d.   | #   | 2             | 0        | 1         | 1      | None<br>Programme due to financial constraints                             | Financial constraints | Budget amount be increased                                    |                                   |                     |

| Hierarchy  | ID   | KPI   | UOM | Annual Target | Baseline | June 2014 |        |  |                                      |                           | Variance from Annual Target 13/14 | Variance from 12/13 |
|--|------|---|-----|---------------|----------|-----------|--------|--|--------------------------------------|---------------------------|-----------------------------------|---------------------|
|  |      |   |     |               |          | Target    | Actual | Achievement/ Comments                      | Challenges                           | Corrective Action         |                                   |                     |
| Special Programmes   | M-34 | Number of school career exhibitions organised y.t.d.                      | #   | 2.            | 7        | 2         | 1      | 1 conducted in the 3 <sup>rd</sup> quarter | Budget constraints                   | Allocate budget           |                                   |                     |
|  | M-35 | Number of awareness campaign on child abuse y.t.d.                        | #   | 2             | 0        | 2         | 1      | 1 conducted                                | Budget constraints                   | Allocate budget           |                                   |                     |
| Local Economic Development/<br>Promote and encourage sustainable economic development/ LED | M-02 | Number of Commercial Centres built per annum y.t.d.                       | #   | 1             | 1        | 3         | 2      |  | KPI not municipal function           | KPI to be reviewed        | Shortfall of 1 centre             |                     |
|  | M-14 | Number of LED forum meetings held per annum y.t.d.                        | #   | 10            | 10       | 10        | 6      |  | Clash of commitments                 | Reduce number of meetings |                                   |                     |
|  | M-15 | Number of Hawkers forum meetings held per annum y.t.d.                    | #   | 4             | 4        | 4         | 7      | Exceeded target                            | None                                 |                           | Excess of 3 meetings              |                     |
|  | M-16 | Number of Business forums meetings held per annum y.t.d.                  | #   | 2             | 5        | 2         | 5      | Exceeded target                            | None                                 |                           | Excess of 3 meetings              |                     |
| Promote and encourage sustainable Economic Development/ LED                                | M-18 | Number of Cultural tourism sites supported with training per annum y.t.d. | #   | 1             | 5        | 1         | 0      | Below target                               | Poor co-ordination with stakeholders |                           | Shortfall of 2                    |                     |
|  | M-19 | Number of SMME support workshops held per annum y.t.d.                    | #   | 10            | 2        | 10        | 8      | Below target                               | Over commitments                     |                           | Shortfall of 2                    |                     |
| Municipal Financial Viability/<br>Improve financial viability\ Budget Preparation          | M-25 | Percentage Adjusted Budget adopted by Council                             | %   | 100%          | 100%     |           |        |  |                                      |                           |                                   |                     |
|  | M-26 | Percentage Final Budget adopted by Council by end of May                  | %   | 100%          | 100%     |           |        |  |                                      |                           |                                   |                     |
| Municipal Financial Viability  | M-20 | Percentage Personnel costs accrued  | %   | 32%           | 35.24%   |           |        |  |                                      |                           |                                   |                     |

| Hierarchy   | ID   | KPI  | UOM | Annual Target | Baseline | June 2014 |        |                                  |   |                   | Variance from Annual Target 13/14 | Variance from 12/13 |
|---|------|--|-----|---------------|----------|-----------|--------|----------------------------------|---|-------------------|-----------------------------------|---------------------|
|   |      |  |     |               |          | Target    | Actual | Achievement/Comments             | Challenges  | Corrective Action |                                   |                     |
| \Improve financial viability\Expenditure Management                                       | M-21 | Percentage Correlation of project progress against project expenditure   | %   | 100%          | 100%     |           |        |                                  |   |                   |                                   |                     |
|   | M-22 | Percentage Expenditure variance of total projected Budget y.t.d.   | %   | 10%           | 18.76%   |           |        |                                  |   |                   |                                   |                     |
|   | M-23 | Percentage Operating budget variance per department y.t.d. in terms of projected quarterly expenditure         | %   | 10%           | 38%      |           |        |                                  |   |                   |                                   |                     |
| Municipal Financial Viability\Improve financial viability\Financial Reporting             | M-24 | Percentage Financial Statement submitted to AG (Measure)   | %   | 100%          | 100%     |           |        |                                  |   |                   |                                   |                     |
|   | M-48 | Percentage Projects implemented for the FY 2012/2013   | %   | 100%          | 80%      |           |        |                                  |   |                   |                                   |                     |
| Spatial Rationale\Accelerate integrated human settlements\Integrated Development Planning | M-51 | Number of Quarterly departmental performance reports completed within 10 working days after the end of quarter | #   | 4             | 3        | 3         | 0      | Delays in information processing | To fill Strategic positions and staffing PMS Division |                   |                                   |                     |
| Spatial Rationale\Plan for the future\Organisational Performance                          | M-53 | Percentage of Annual Report adopted by Council by end March  | %   | 100%          | 100%     |           |        |                                  |   |                   |                                   |                     |

| Hierarchy                                      | ID    | KPI   | UOM | Annual Target | Baseline | June 2014 |        |   |  |  | Variance from Annual Target 13/14 | Variance from 12/13 |
|--|-------|---|-----|---------------|----------|-----------|--------|---|--|--|-----------------------------------|---------------------|
|  |       |   |     |               |          | Target    | Actual | Achievement/Comments                                  | Challenges   | Corrective Action  |                                   |                     |
| Management                                     | M-54  | Number of departmental meetings held y.t.d.                                     | #   | 12            | 6        |           |        |   |  |  |                                   |                     |
|  | M-55  | Number of monthly divisional reports submitted y.t.d.                           | #   | 12            | 12       | 12        | 12     | 100% achieved   | None   | None   |                                   |                     |
| Transformation and Organisational Development\ | M-03  | Percentage section 57 employment contracts signed                               | %   | 100%          | 100%     | 6         | 4      | 4 out of 6  | Delay in filling of senior positions   | Compliance to legislature prescripts to fill vacancies within three months |                                   |                     |
|  | M-06  | Number of formal individual performance assessments conducted and reported upon | #   | 2             | 0        |           |        |   |  |  |                                   |                     |
|  | M-230 | Percentage strategically identified positions filled                            | %   | 75%           | 0%       | 6         | 4      | 4 out of 6  | Delay in filling of senior positions   | Compliance to legislature prescripts to fill vacancies within three months |                                   |                     |
| Transformation and Organisational Development\ | M-01  | Percentage budgeted vacancies on the organogram filled                          | %   | 100%          | 75%      | 100%      | 90%    | Vacant post decreased                                 |  |  |                                   |                     |
|  | M-05  | Percentage OHS recommendations implemented related to department                | %   | 100%          | 100%     |           |        | OHS awareness campaigns and site inspection conducted | None   |  |                                   |                     |
|  |       | Percentage S57 positions filled   | %   | 100%          | 0%       | 6         | 4      | Re-advertised 2 posts of MSCS and MSPED               | Attracting applicants non-adherence to the legislation to fill the vacancies within 3 months | Compliance to legislature prescripts to fill vacancies within three months |                                   |                     |



## CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

### COMPONENT A: BASIC SERVICES

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

#### INTRODUCTION TO BASIC SERVICES

The provision of Basic Services, specifically which included water, sanitation and electricity is rated as the top priority in the Modimolle Local Municipality. Also of importance is the creation of an enabling environment for job creation to assist government to realise the planned work opportunities.

The following socio-economic challenges were identified within the Modimolle Local Municipality:

- ❖ Limited service provision at schools
- ❖ Unstructured development and land invasion by informal settlements
- ❖ Increase in unemployment rate due to eviction of farm workers
- ❖ Increase in housing backlog.
- ❖ Provision of basic services due to increased informal settlements

The identification of these challenges enabled a more focussed analysis of the every-day needs and problems facing the Modimolle community. The results show that there is a pressing need to address the above identified challenges.

The municipality provides water, sanitation, and refuse collection and electricity services, with percentage access water 94.19%, sanitation 74.93%, refuse collection 90% and electricity 85.2%. Free basic services are provided according to the indigent policy subsidised by government which include 6kl of water per month, 75kWh electricity per month and refuse removal free of charge. Beneficiaries receiving free basic services are as follows: water 2000 beneficiaries; electricity 2143 beneficiaries, sanitation 77 and waste removal 212.

The municipality obtained Blue Drop certification in the 2012/2013 financial year had dropped from 95.01% to 73,96%.

T3.1.0

#### 3.1. WATER PROVISION

##### INTRODUCTION TO WATER PROVISION

|                    | Male         | Female       | Grand Total  |
|--------------------|--------------|--------------|--------------|
| 20 - 24            | 3033         | 2483         | 5516         |
| 25 - 29            | 2604         | 2233         | 4837         |
| 30 - 34            | 2605         | 1952         | 4557         |
| 35 - 39            | 2405         | 1737         | 4142         |
| 40 - 44            | 1348         | 1635         | 2983         |
| 45 - 49            | 1303         | 1516         | 2819         |
| 50 - 54            | 820          | 824          | 1644         |
| 55 - 59            | 755          | 511          | 1266         |
| 60 - 64            | 544          | 599          | 1143         |
| 65 - 69            | 457          | 706          | 1163         |
| 70 - 74            | 361          | 527          | 888          |
| 75 - 79            | 211          | 547          | 758          |
| 80 - 84            | 262          | 111          | 373          |
| 85 +               | 119          | 310          | 429          |
| <b>Grand Total</b> | <b>26732</b> | <b>25866</b> | <b>52598</b> |

T1.2.2

Wholesale & Retail trade is absorbing the larger percentage of the labour force, followed by Community, Social & Personal Services. This sector includes tourism and civil services. Civil service is the major contributor to our economy since Modimolle is the regional hub of government.

**Income per Individual:**

|                     | Male  | Female | Grand Total |
|---------------------|-------|--------|-------------|
| No income           | 3901  | 6889   | 10790       |
| R1 - R400           | 482   | 540    | 1022        |
| R401 - R800         | 2655  | 2034   | 4689        |
| R801 - R1 600       | 4274  | 2974   | 7248        |
| R1 601 - R3 200     | 1677  | 742    | 2419        |
| R3 201 - R6 400     | 1046  | 863    | 1909        |
| R6 401 - R12 800    | 865   | 807    | 1672        |
| R12 801 - R25 600   | 406   | 239    | 645         |
| R25 601 - R51 200   | 235   | 158    | 393         |
| R51 201 - R102 400  | 180   | 73     | 253         |
| R102 401 - R204 800 | 83    | 33     | 116         |
| R204 801 or more    | -     | -      | 0           |
| Response not given  | 517   | 670    | 1187        |
| Institutions        | 1214  | 492    | 1706        |
| Grand Total         | 17535 | 16514  | 34049       |



**Economic Production:**

| Sector  | 2011        | 2012        | 2013        | 2013%        |
|---|-------------|-------------|-------------|--------------|
| Agriculture, Forestry & Fishing                     | 116         | 101         | 102         | 5.1%         |
| Mining & Quarrying                                  | 21          | 17          | 20          | 1.0%         |
| Manufacturing                                       | 126         | 113         | 114         | 5.7%         |
| Electricity, Gas & Water                            | 57          | 60          | 62          | 3.1%         |
| Construction  | 63          | 62          | 62          | 3.1%         |
| Wholesale & retail trade, catering & Communication  | 350         | 328         | 334         | 16.6%        |
| Transport, Storage & Communication                  | 299         | 312         | 326         | 16.6%        |
| Finance, Insurance ,real estate & business services | 478         | 485         | 492         | 24.4%        |
| Community, Social & Personal services               | 100         | 98          | 98          | 4.9%         |
| General Government                                  | 386         | 391         | 405         | 20.1%        |
| <b>Total</b>  | <b>1996</b> | <b>1967</b> | <b>2015</b> | <b>100.0</b> |

The Modimolle local economy is relatively small, with an estimated total economic value of production of only R2 billion or 2010 (at constant price).The biggest contribution is from the finance , insurance, real estate and business service sector, which largely reflects the inputted rental value of land. Government is a significant contributor to the local economy .The third largest contribution is from trading activities and tourism destinations.

**Employment Status by Gender:**

| Employment              | Male         | Female       | Grand Total  |
|-------------------------|--------------|--------------|--------------|
| Employed                | 11521        | 7802         | 19323        |
| Unemployed              | 1637         | 3189         | 4826         |
| Not Economically Active | 2742         | 4734         | 7476         |
| <b>Grand Total</b>      | <b>15900</b> | <b>15725</b> | <b>31625</b> |

**Housing – Type of main Dwelling:**

| Type of Infrastructure | No. HH |
|------------------------|--------|
|------------------------|--------|

|  |       |
|--|-------|
| House or brick structure on a separate stand or yard                             | 29231 |
| Traditional dwelling/hut/structure made of traditional materials                 | 936   |
| Flat in block of flats   | 136   |
| Town/cluster/semi-detached house (simplex: duplex: triplex)                      | 219   |
| House/flat/room in back yard   | 190   |
| Informal dwelling/shack in back yard   | 2533  |
| Informal dwelling/shack NOT in back yard e.g. in an informal/squatter settlement | 13070 |
| Room/flat let not in back yard but on a shared property                          | 2674  |
| Caravan or tent  | 26    |
| Private ship/boat  | -     |
| Workers' hostel(room)  | 551   |
| Other  | 35    |
| Institutions   | 3000  |
| Grand Total  | 52601 |

Most houses are formal structures with basic services. Informal settlements in Modimolle have been formalised and receive basic services. The growth of informal settlements is increasing housing demand, which has direct impact on provision of basic services.

Source: MLM GIS Survey 2011



Table 1: Housing Types – Main Dwelling

| Municipality                 | House or Brick structure on a separate stand or yard | Traditional dwelling/hut/structure made of traditional material | Flat in block of flats | Town cluster/ semi-detached house | House/flat/ room in back yard | Informal dwelling/shack in back yard | Informal dwelling/shack NOT in back yard e.g. in an informal/squatter settlement | Room/flat let not in back yard but on a shared property | Caravan or tent | Private ship/boat | Workers' hostel (bed/bed room) |
|------------------------------|--|---|------------------------|-----------------------------------|-------------------------------|--------------------------------------|--|---|-----------------|-------------------|--------------------------------|
| Modimolle Local Municipality | 8657   | 395   | 98                     | 140                               | 152                           | 675                                  | 3518   | 1888  | 24              | 0                 | 251                            |

MLM GIS Survey 2009

T1.2.6

| Natural Resources      |                        |
|------------------------|------------------------|
| Major Natural Resource | Relevance to Community |
|                        |                        |
|                        |                        |
|                        |                        |
|                        |                        |
|                        |                        |
|                        |                        |

T1.2.7

The municipality is encountering challenges in terms of addressing housing backlog due to:

- Lack of well located, developable land for housing (most of the land which is well located and well suited is privately owned and insufficient for housing subsidies),
- Under staffed town planning unit,
- Lengthy procedure in dissemination between Limpopo Provincial Government and Local authorities regarding housing matters,
- Lack of housing integrated planning and development (housing will be constructed without road infrastructure and connection plans to the main bulk sewer line), and
- The municipal sewer treatment plant is operating above its capacity and threatening new developments.
- Renting and selling out of RDP Houses at early years by beneficiaries
- RDP which were allocated to minor whom are still under their parent support- which tends to increase a number of un-occupied RDP and vandalized structure within the jurisdiction.
- Illegal occupation of RDP houses.
- Selling of RDP structures
- Illegal allocation of RDP houses.

- Wrongful allocation of RDP houses to people not qualifying for RDP's
- Duplication of stands/ erf numbers when beneficiaries are registered

### 1.3. SERVICE DELIVERY OVERVIEW

#### SERVICE DELIVERY INTRODUCTION

The municipality provides water, sanitation, refuse collection and electricity services. Free basic services – water, sanitation, electricity and refuse collection is provided to all households registered on the indigent register. Free basic services include 6 kl water per month, 75kWh of electricity per month and refuse removal free of charge.

T 1.3.1

#### COMMENT ON ACCESS TO BASIC SERVICES:

**Delete Directive note once comment is complete** – Explain the shortfalls in service contained in the diagram above

T1.3.3

### 1.4. FINANCIAL HEALTH OVERVIEW

#### FINANCIAL OVERVIEW

**Delete Directive note once comment is complete** – Provide a brief introduction on the financial sustainability of the municipality commenting on key successes and outcomes in 0809 and those things that were challenging and required rectification – state how state how such challenges are being addressed. Comment also on the financial health of the municipality as derived from the financial ratios in Chapter 5.

T1.4.1

#### Financial Overview 2011/12

| Details                   | Original budget | Adjustment Budget | Actual  |
|---------------------------|-----------------|-------------------|---------|
| Income                    |                 |                   |         |
| Grants                    | 87807           | 95708             | 84051   |
| Taxes, Levies and tariffs | 121 960         | 116 326           | 114 016 |

|                           |           |           |           |
|---------------------------|-----------|-----------|-----------|
| Other                     | 9 722     | 11 022    | 14 317    |
| Sub Total                 | 186 985   | 183 498   | 185 570   |
| Less Expenditure          | (212 526) | 708 768   | (218 141) |
| Net Total*                | (25 541)  | (525 270) | (32 571)  |
| *Note: surplus/ (deficit) |           |           |           |

T1.4.2

| Operating Ratios               |      |
|--------------------------------|------|
| Detail                         | %    |
| Employee Cost                  | 28.9 |
| Repairs & Maintenance          | 3.7  |
| Finance Charges & Depreciation | 15.2 |

COMMENT ON OPERATING RATIOS:

T1.4.3.

| Total Capital Expenditure 2009/10 - 2011/12 |         |         |         |
|---|---------|---------|---------|
|   | R'000   |         |         |
| Detail                                      | 2009/10 | 2010/11 | 2011/12 |
| Original Budget                             | 55 735  | 40 539  | 33 315  |
| Adjustment Budget                           | 34 608  | 37 392  | 41 572  |
| Actual                                      | 34 179  | 25 518  | 25 643  |

COMMENT ON CAPITAL EXPENDITURE:

The variance on capital expenditure was 18.76% due to expenditure targets that could not be met.

T 1.4.5.1

## 1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

### ORGANISATIONAL DEVELOPMENT PERFORMANCE



**Delete Directive note once comment's completed** – Provide an overview of key Organisational Development issues based on information contained in Chapter 4

T1.5.1

## 1.6. AUDITOR GENERAL REPORT

### AUDITOR GENERAL REPORT 13/14

The performance of the Modimolle Municipality is measured in terms of the financial and non-financial terms. The performance of Municipality to achieve good audit report is dependent on a number of factors that include internal control systems namely; Budget, IDP, SDBIP, PMS and compliance to GRAP Standards. The outcome of the audit report was thus based on the fair presentation and information disclosed in the Municipality's Financial Statements. The audit opinion has changed as compared to the previous financial year. The Municipality has received an adverse audit opinion in 2012/2013 financial year and qualified audit report in 2013/2014.

**Delete Directive note once comment's completed** – State the type of opinion given (disclaimer; adverse opinion; qualified opinion; unqualified opinion with 'other matters'; and an unqualified opinion) and briefly explain the issues leading to that opinion. In terms of a disclaimer you must state that 'the accounts of this municipality were too deficient in essential detail for the Auditor General to form an opinion as the financial viability or rectitude of this municipality'. If opinion is unqualified, briefly explain the key steps taken to accomplish and maintain (where appropriate) this important achievement.

T 1.6.1

## 1.7. STATUTORY ANNUAL REPORT PROCESS

| No | Activity  | Timeframe           |
|----|---|---------------------|
| 1  | Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period. | July                |
| 2  | Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).   |                     |
| 3  | Finalise 4 <sup>th</sup> quarter Report for previous financial year   |                     |
| 4  | Submit draft 13/14 Annual Report to Internal Audit and Auditor-General  |                     |
| 5  | Municipal entities submit draft annual reports to MM  |                     |
| 6  | Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)   | August              |
| 8  | Mayor tables the unaudited Annual Report  |                     |
| 9  | Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General.  |                     |
| 10 | Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase   |                     |
| 11 | Auditor General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data  | September – October |
| 12 | Municipalities receive and start to address the Auditor General's comments  | November            |
| 13 | Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report  |                     |
| 14 | Audited Annual Report is made public and representation is invited  |                     |
| 15 | Oversight Committee assesses Annual Report  |                     |
| 16 | Council adopts Oversight report   | December            |
| 17 | Oversight report is made public   |                     |
| 18 | Oversight report is submitted to relevant provincial councils   |                     |
| 19 | Commencement of draft Budget/ IDP for next financial year. Annual Report and Oversight Reports to be used as input.   | January             |



#### COMMENT ON THE ANNUAL REPORT PROCESS:

**Delete Directive note once comment is complete** –Explain the importance of achieving the above deadlines to prepare the Annual Report nearer the end of the financial year and to provide the next budget process with a wide range of data from the outset. Include a statement to explain the importance of alignment between the IDP, Budget and Performance Management System as dealt with at item 1 or the schedule. Explain any failures to achieve the above timescales.

T1.7.1.1

# Modimolle Local Municipality



## COMMENTS ON 2012/2013 ANNUAL REPORT

Notice is hereby given in terms of Section 21(a) of the Municipal Systems Act, No 32 of 2000 and Section 127(5) of the Municipal Finance Act, 2003 (Act 56 of 2003).

Members of the public, communities within Modimolle Municipality, Government Institutions, Business Communities, Private Sectors and Civil Society Organisations are hereby invited to comment on the Annual Report for Modimolle Municipality for the 2012/2013 financial year.

The report is accessible on the municipal website: [www.modimolle.gov.za](http://www.modimolle.gov.za) or alternatively the hard copies of the report may be peruse during office hours form 7:30 – 16:15 on Mondays to Fridays at the following places:

- Modimolle Municipal Building: O R Tambo Square, Harry Gwala Street
- Phagameng Library
- Modimolle Town Library
- Mabatlane/Vaalwater Municipal Offices
- Mabaleng Municipal Building

The closing date for written representations or submission is **14 March 2014** at respective sites.

Your written comments should be directed to:

The office of the Municipal Manager  
Private Bag X1008  
**MODIMOLLE**  
0510

For further information please do not hesitate to contact Mr T Freysen (Divisional Manager Organisational PMS)

Tel : (014) 718-2043  
Cell : 083 446 4973  
E-mail : [ajordaan@modimolle.gov.za](mailto:ajordaan@modimolle.gov.za)

The Civic Centre  
O R Tambo Square  
Harry Gwala Street  
**MODIMOLLE**  
0510

  
N S BAMBO  
MUNICIPAL MANAGER

Notice number 15/3/2014 – 3/3/2014

## Chapter 2

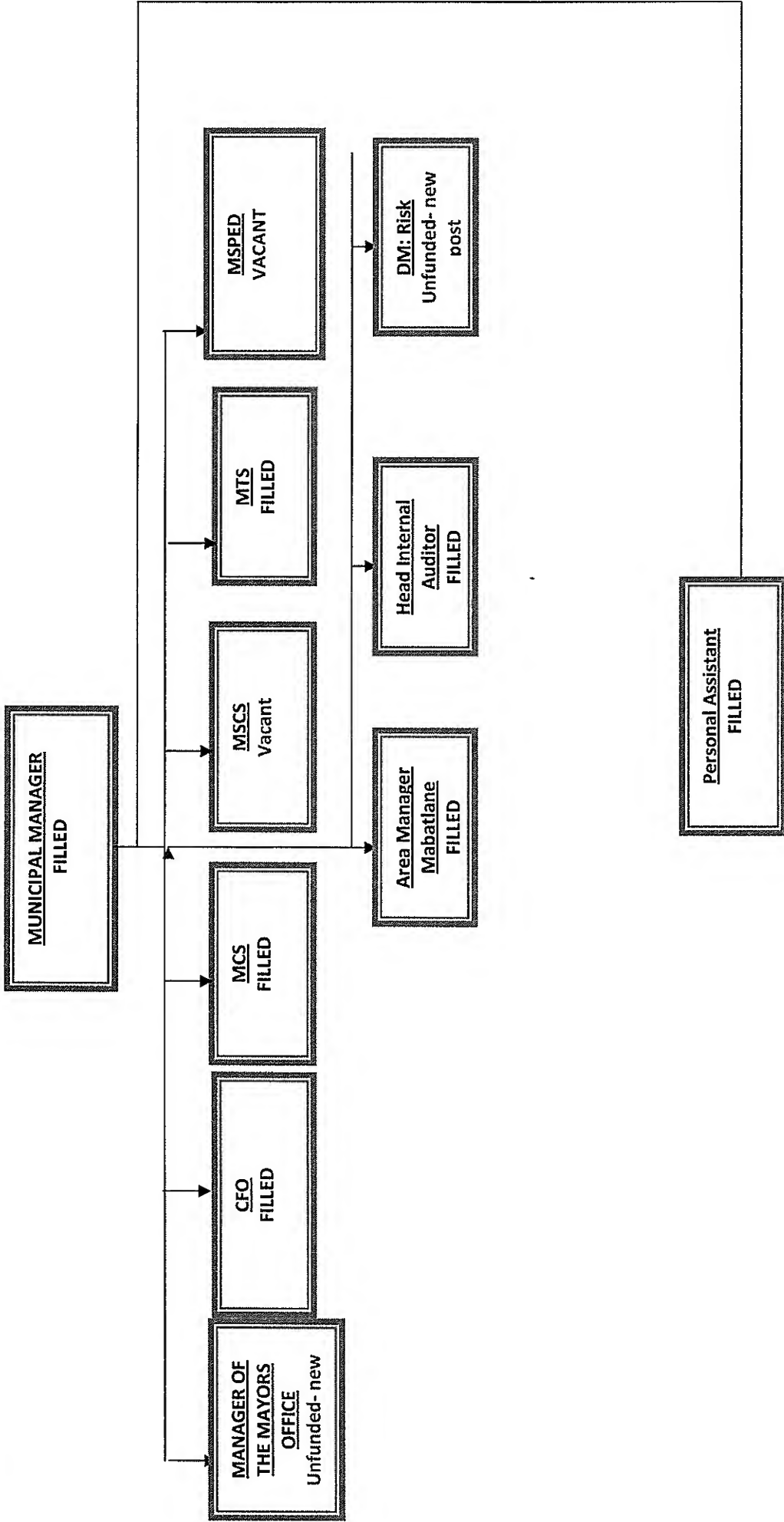
### GOVERNANCE

**APPROVED**  
**MODIMOTILE LOCAL MUNICIPALITY**  
**ORGANOGRAM**

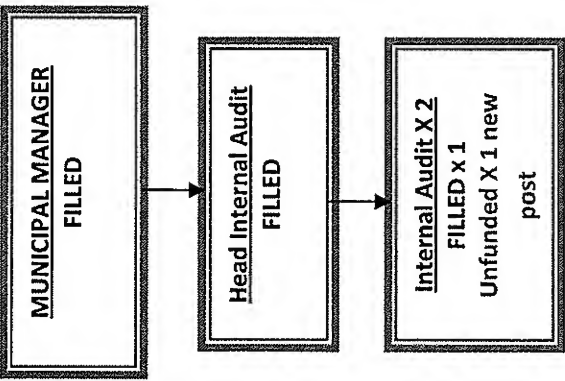
# MUNICIPAL MANAGER'S OFFICE ORGANOGRAM



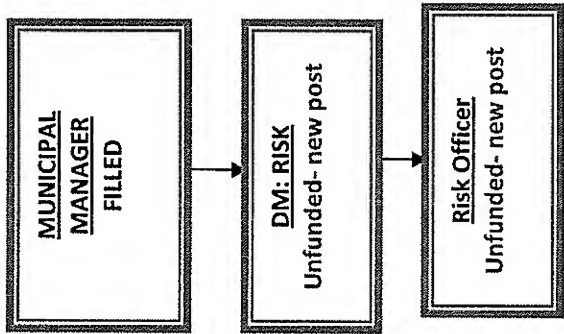
ORGANOGRAMS – MUNICIPAL MANAGER'S OFFICE DIVISION



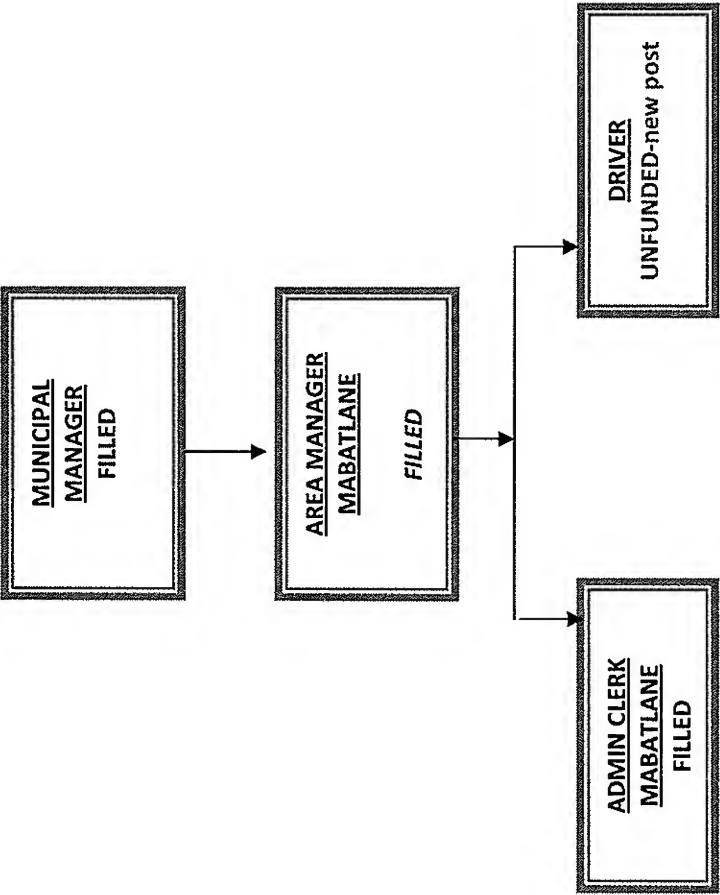
ORGANOGRAMS – INTERNAL AUDIT UNIT



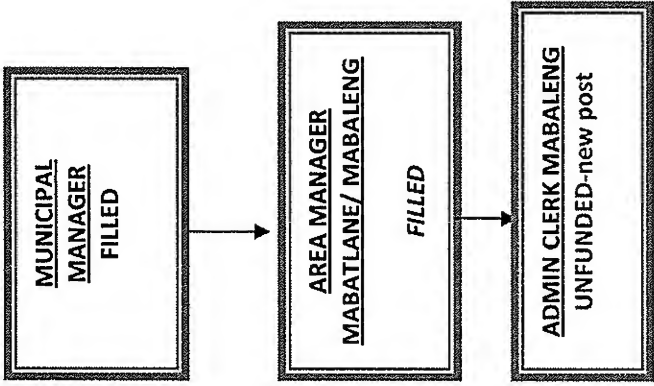
ORGANOGRAMS – RISK MANAGEMENT UNIT



ORGANOGRAMS –SATELLITES OFFICE MABATLANE



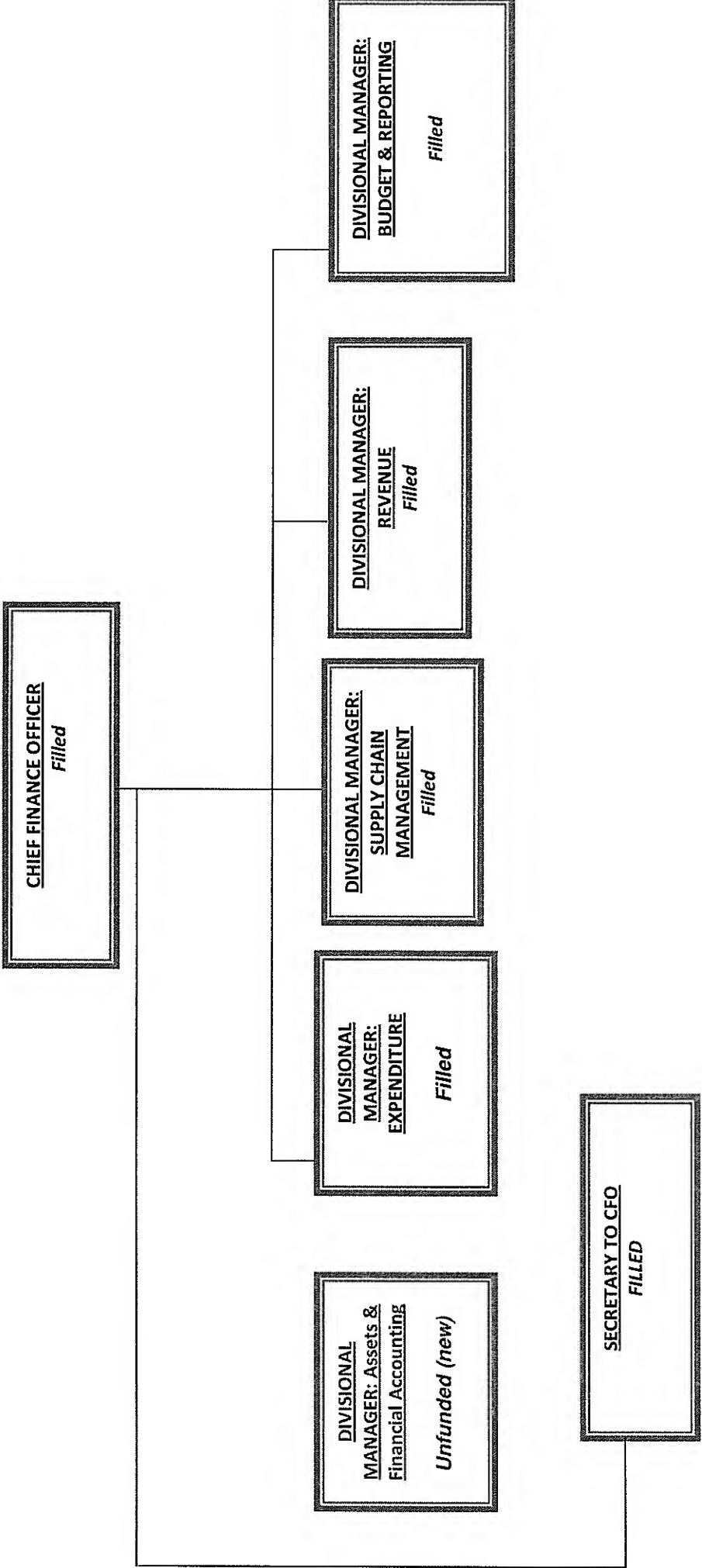
ORGANOGRAMS –SATELLITES OFFICE MABALENG



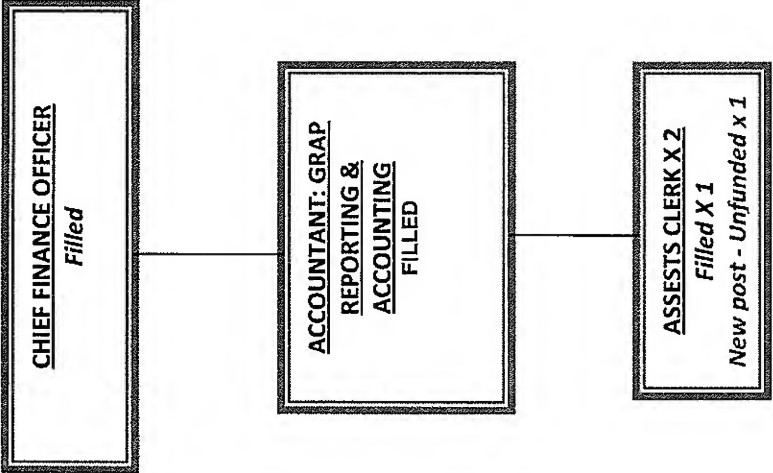


# ORGANOGRAMS BUDGET & TREASURY

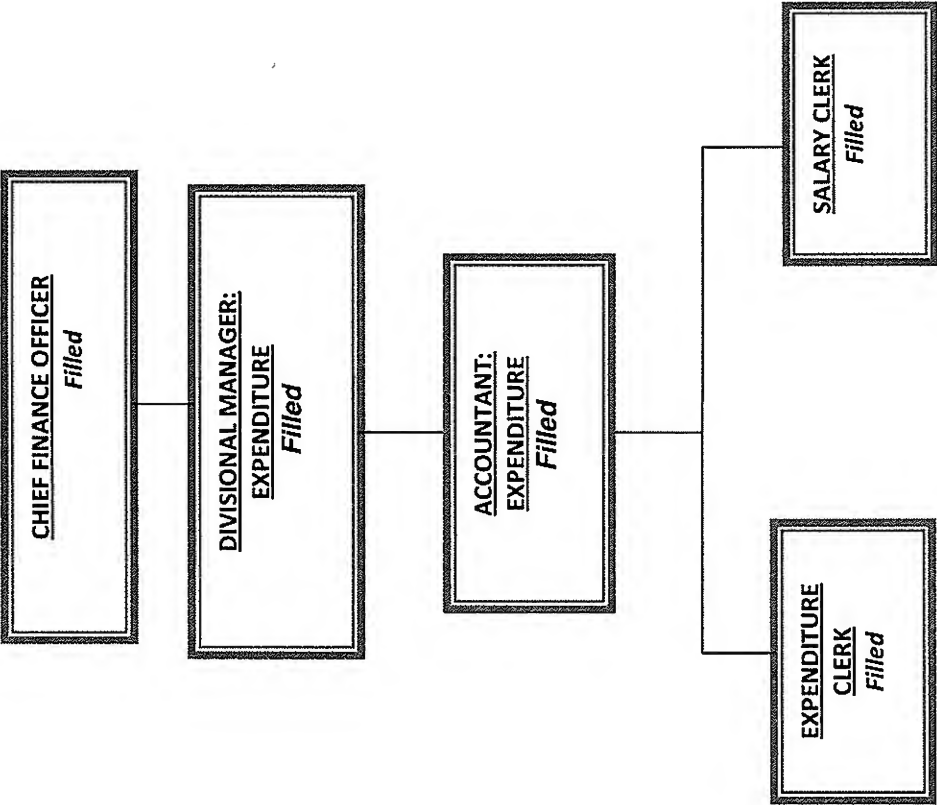
CHIEF FINANCIAL OFFICER'S OFFICE



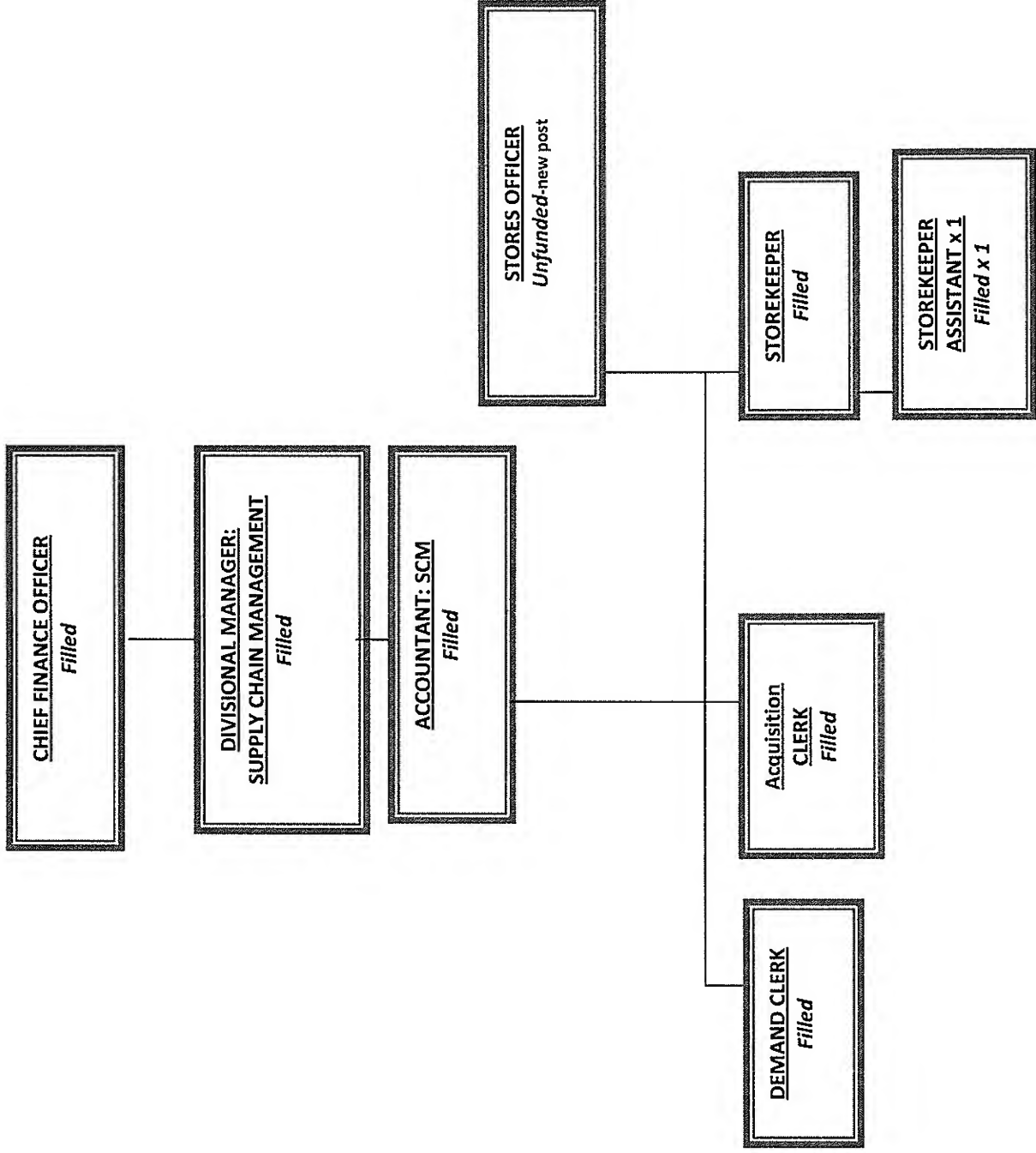
ORGANOGRAMS – ASSETS AND FINANCIAL ACCOUNTING



ORGANOGRAMS – EXPENDITURE

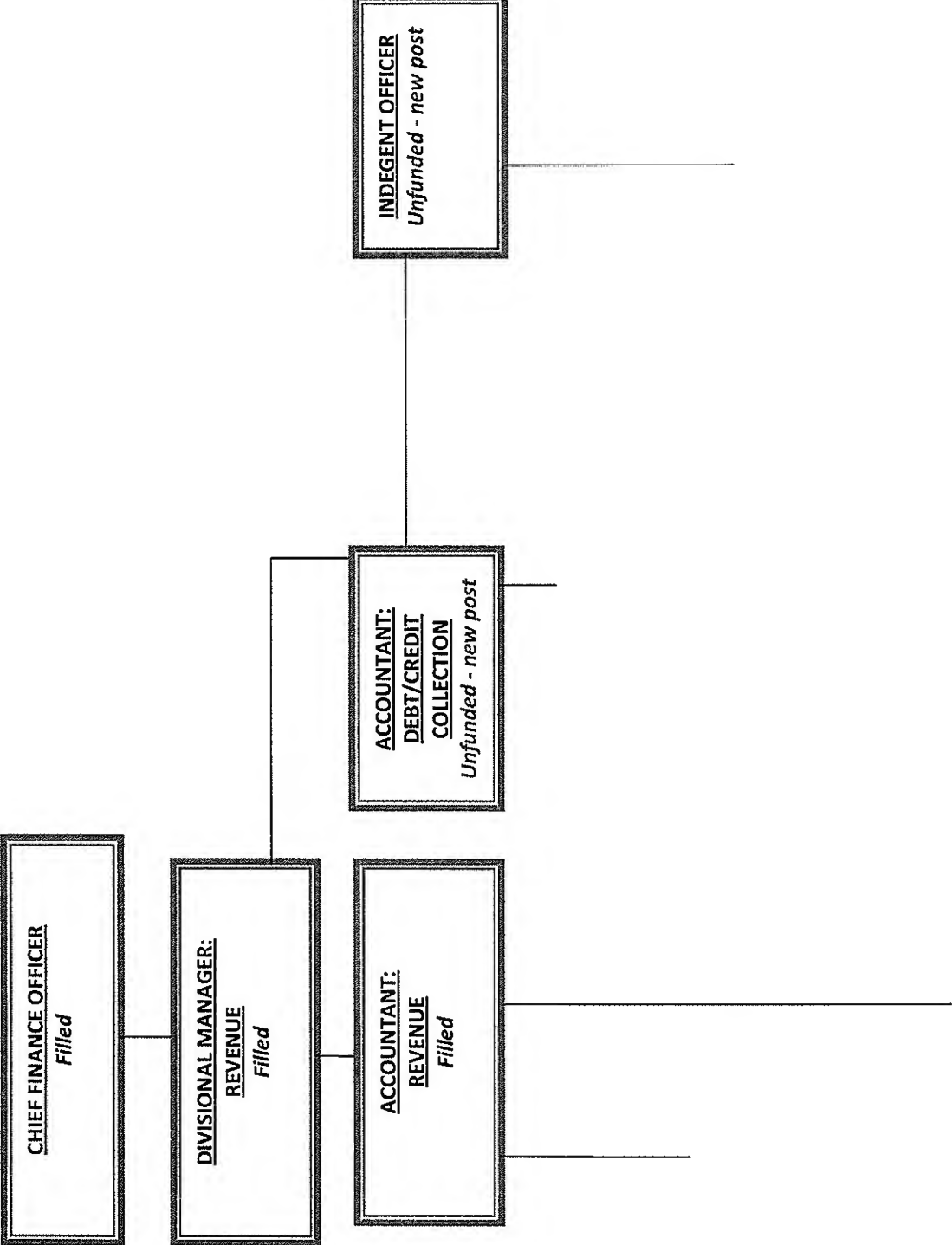


ORGANOGRAMS – SUPPLY CHAIN MANAGEMENT





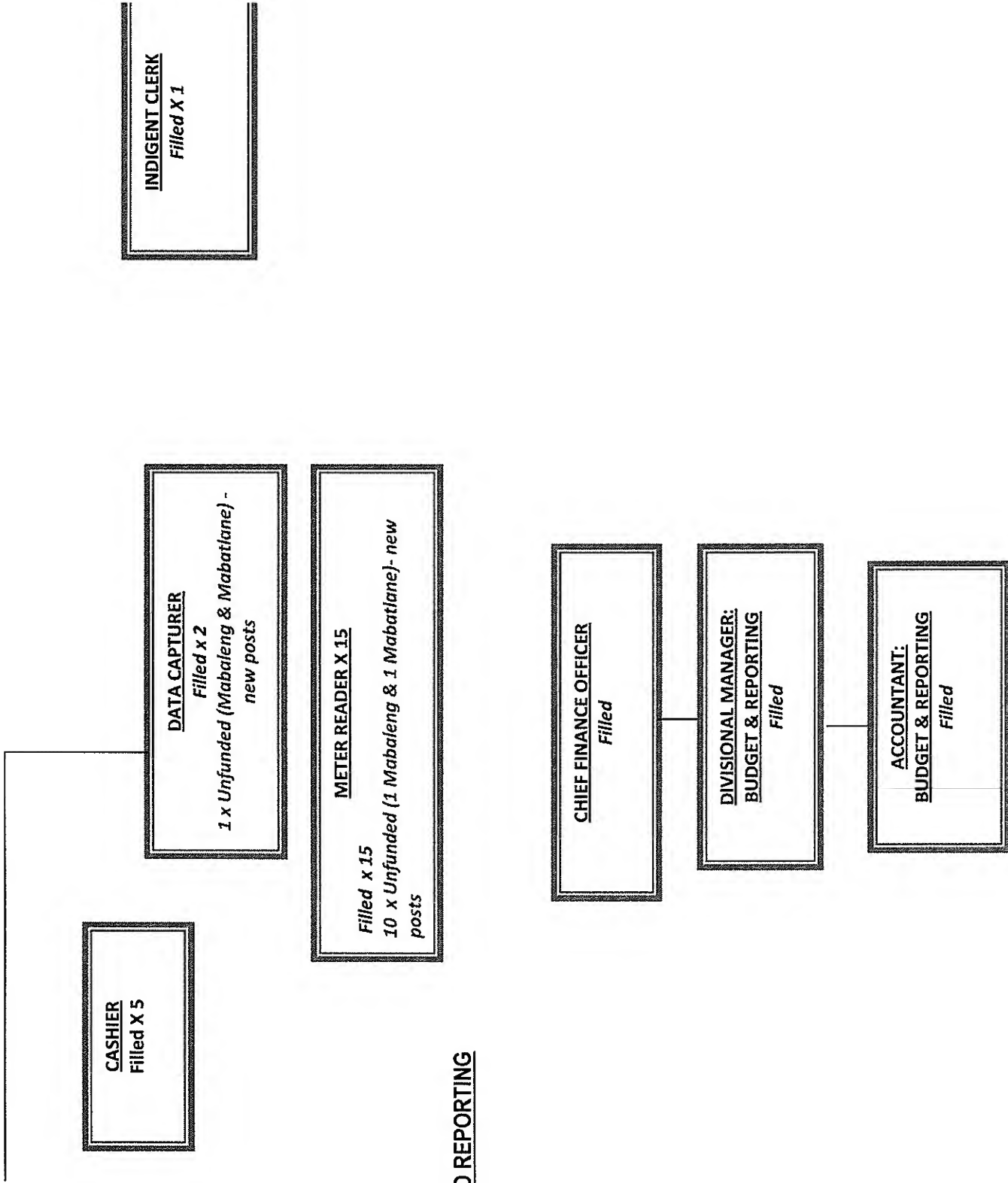
ORGANOGRAMS – REVENUE



**ENQUIRY CLERK**  
*Filled X 4*

**DEBT/CREDIT COLLECTION**  
**CLERK X 2**  
*Filled X 1*  
*Unfunded x 1 new post*

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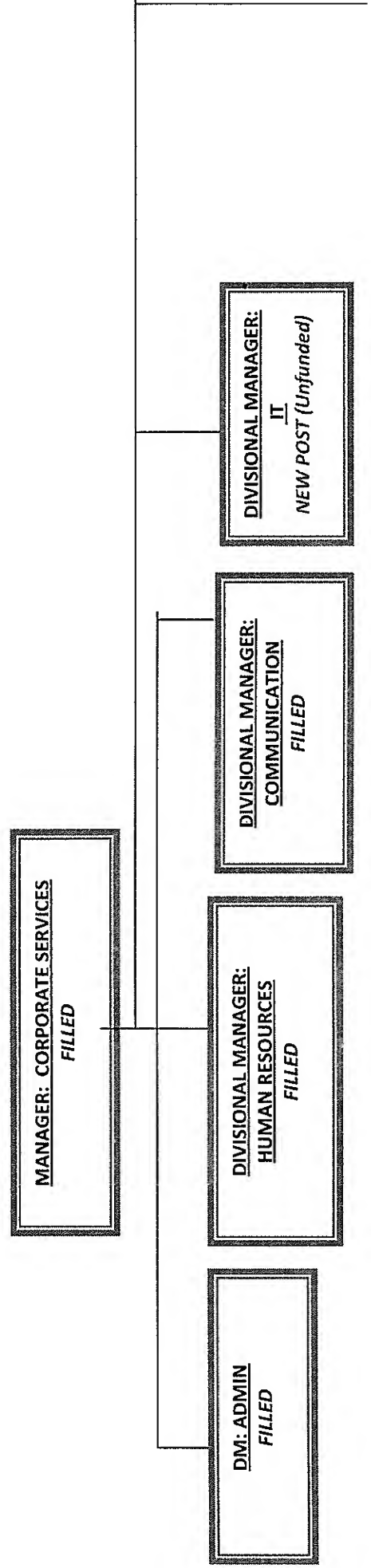


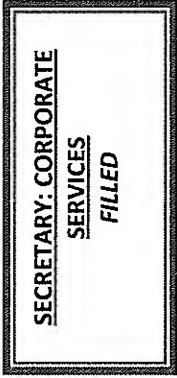
ORGANOGRAMS – BUDGET AND REPORTING

# ORGANOGRAMS

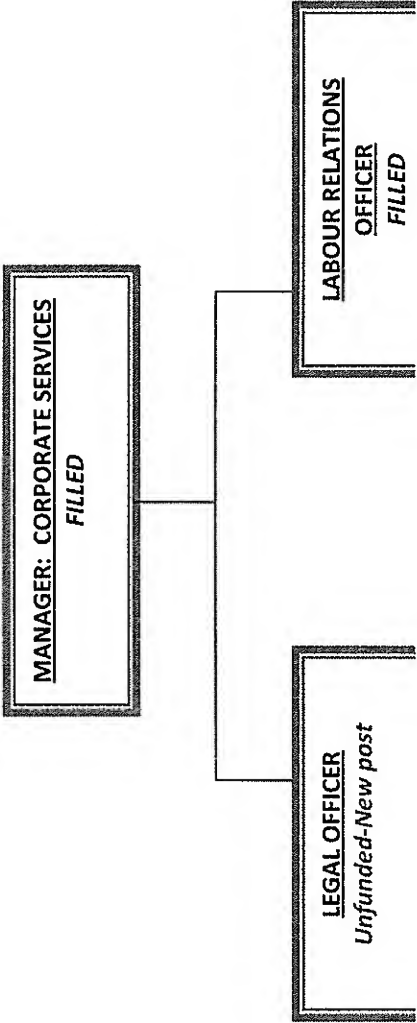
## CORPORATE SERVICES

ORGANOGRAM – MANAGER CORPORATE SERVICES OFFICE





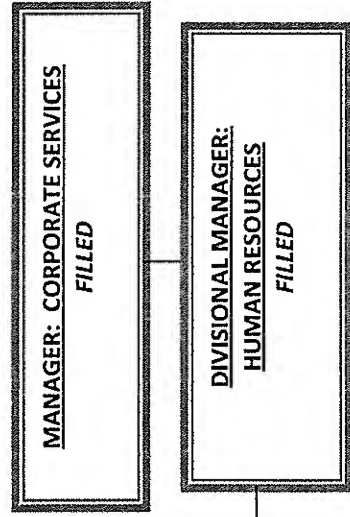
ORGANOGRAM – LEGAL DIVISION



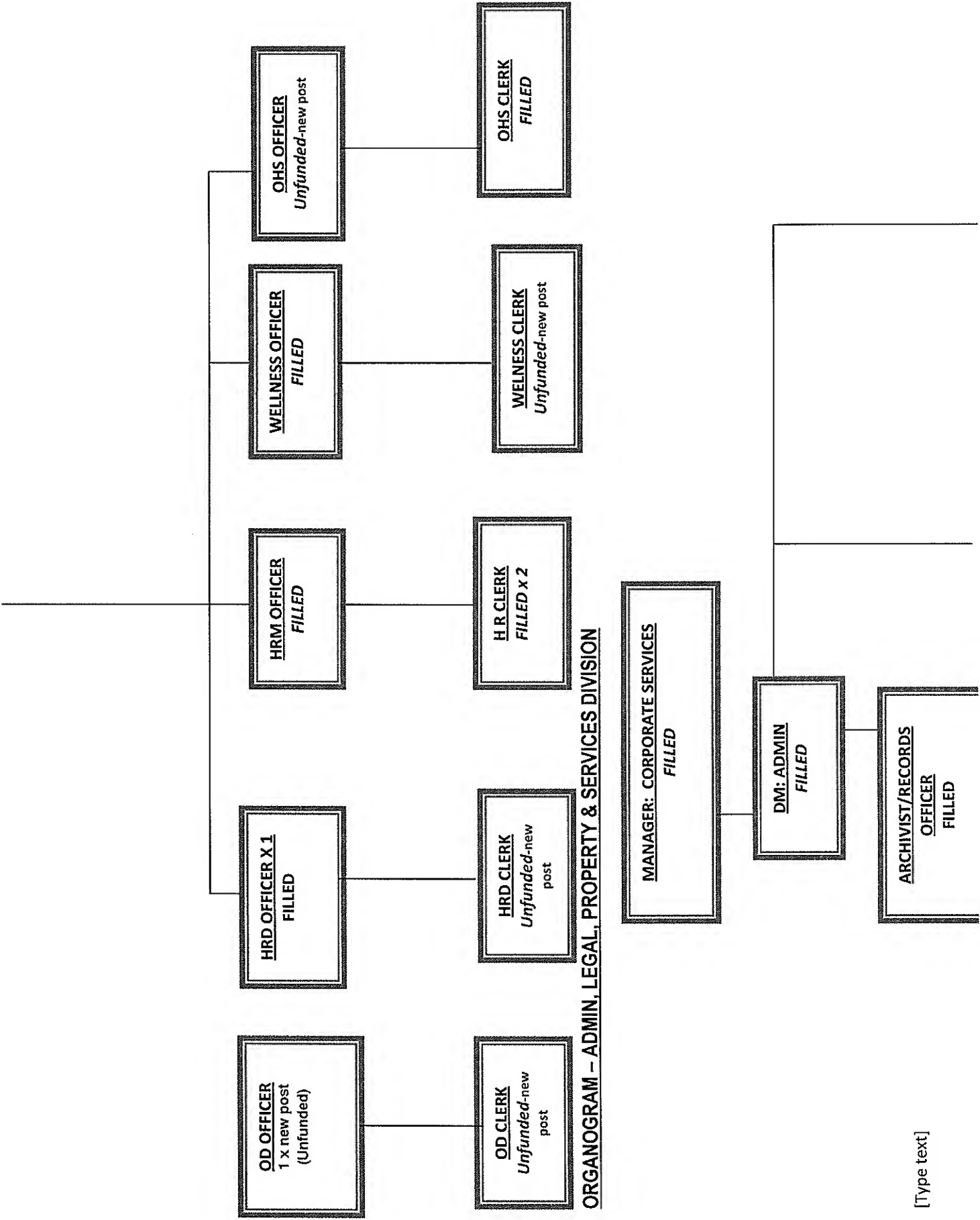
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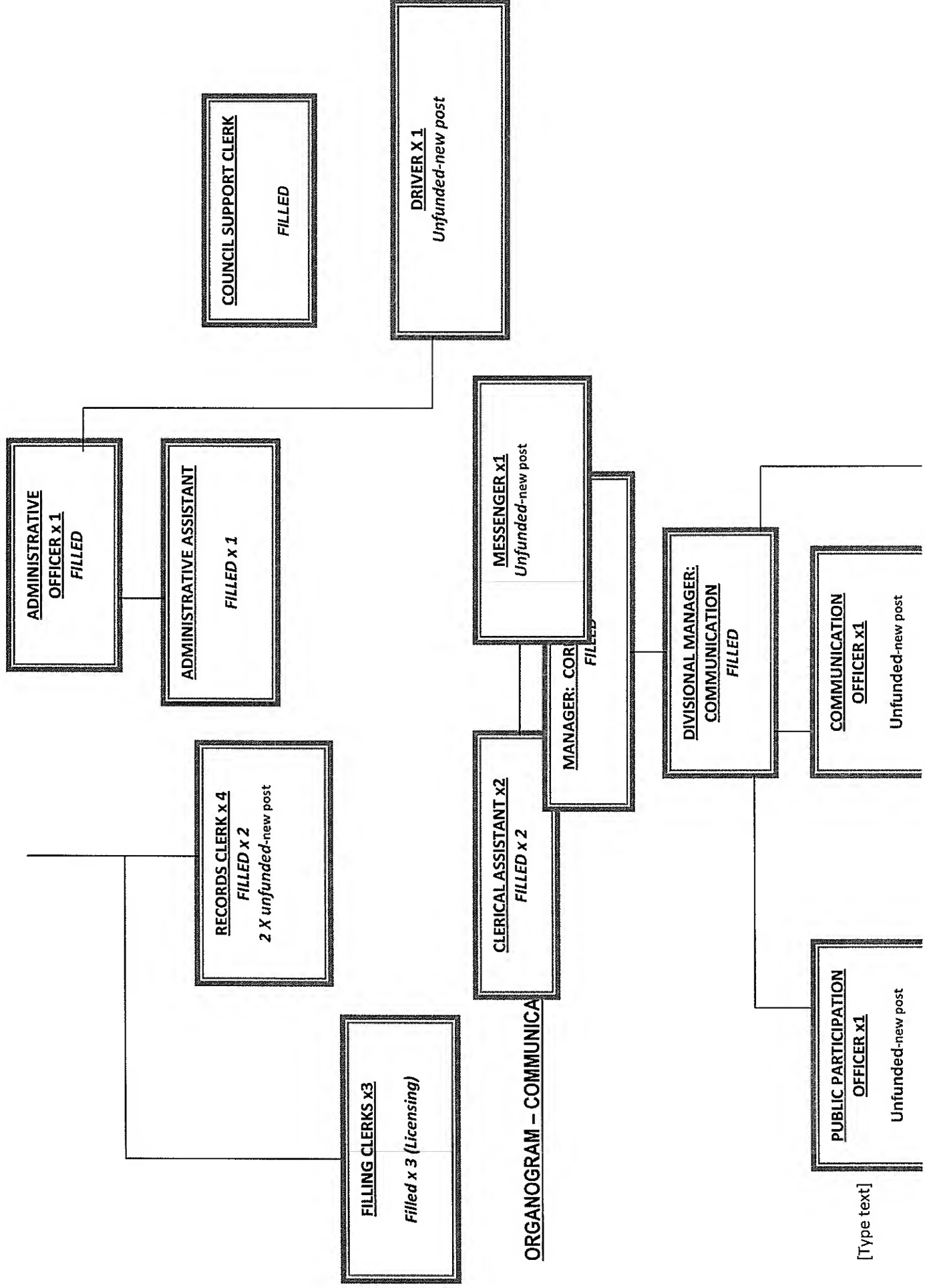


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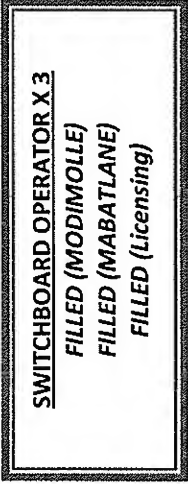


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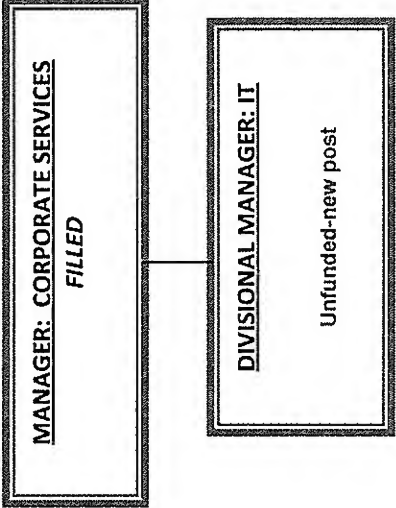


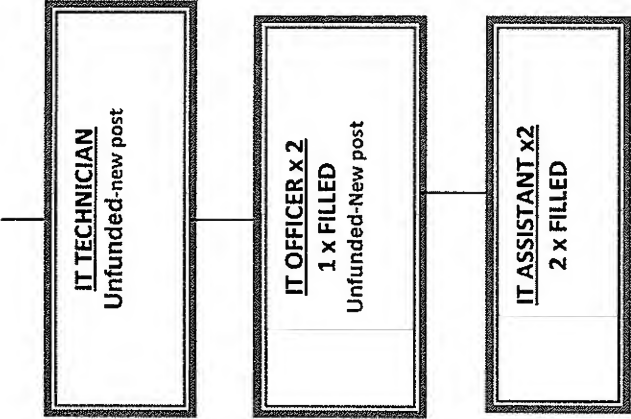


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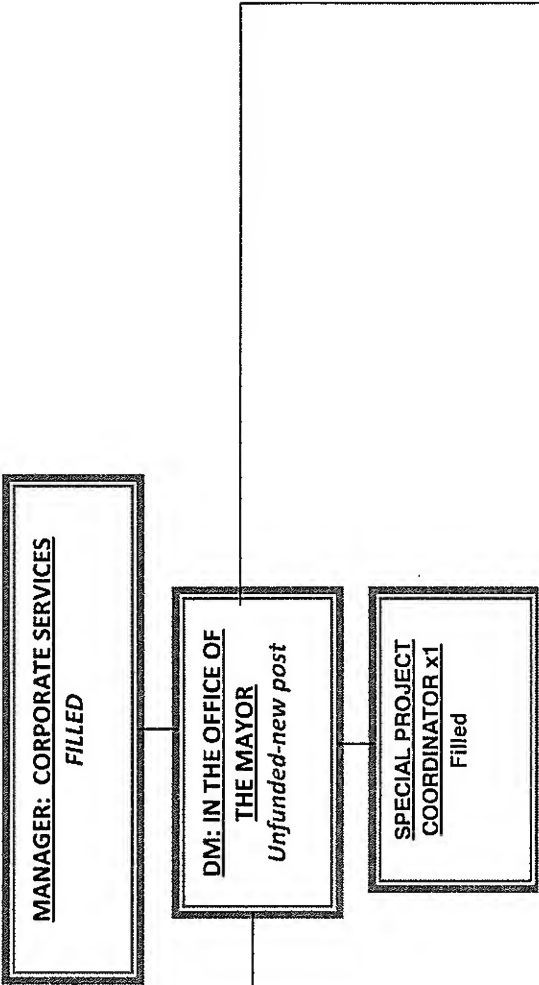


ORGANOGRAM – ITDIVISION



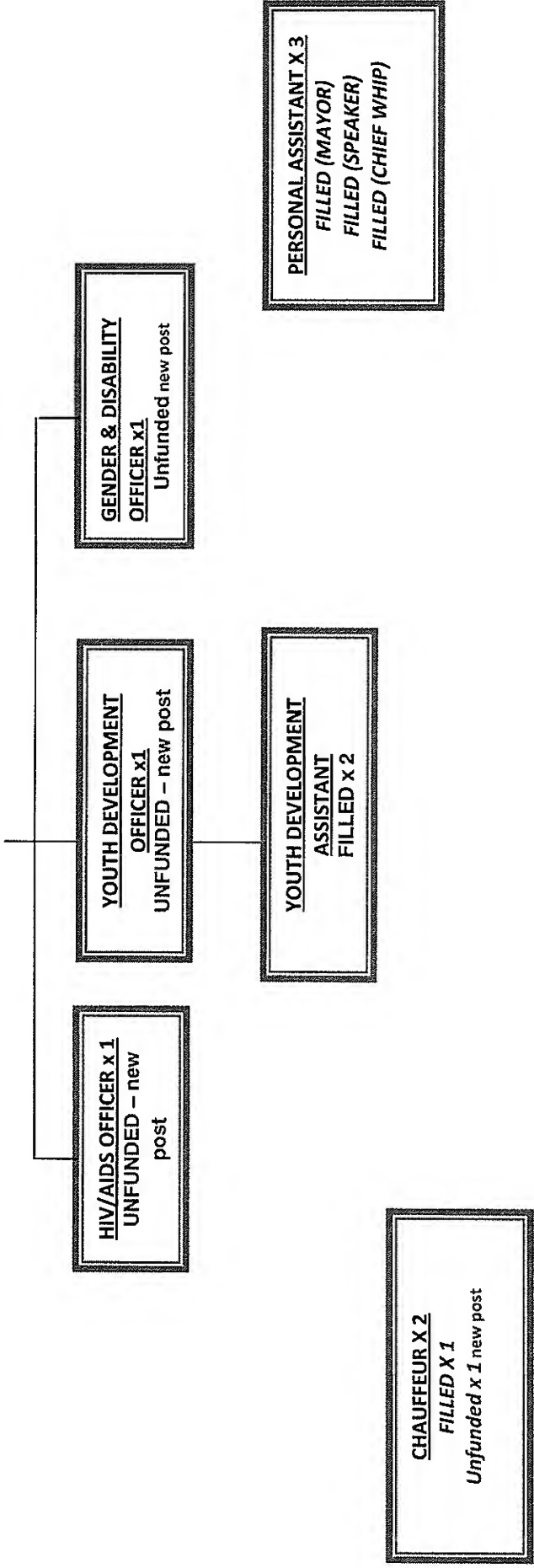


ORGANOGRAM – EXECUTIVE SUPPORT DIVISION



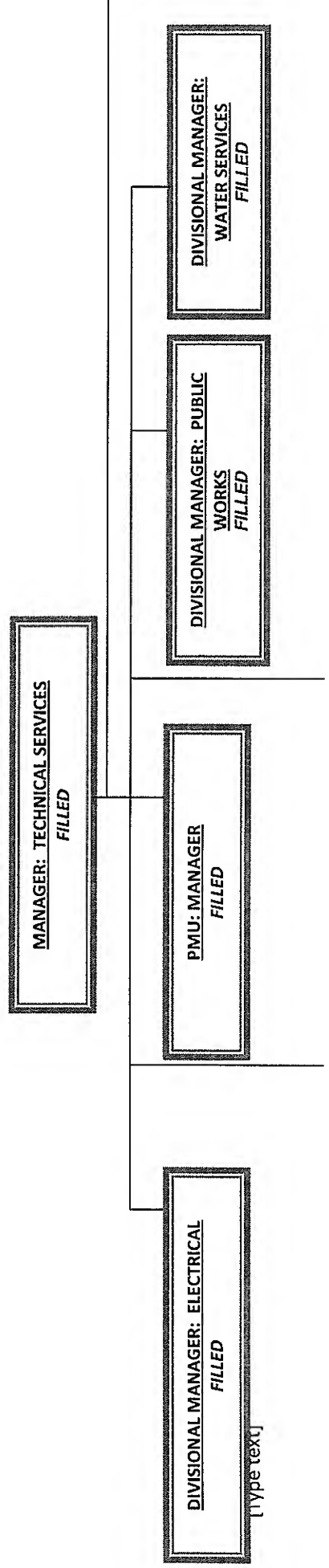
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# TECHNICAL SERVICES DEPARTMENT

## ORGANOGRAMS – TECHNICAL SERVICE MANAGER’S OFFICE

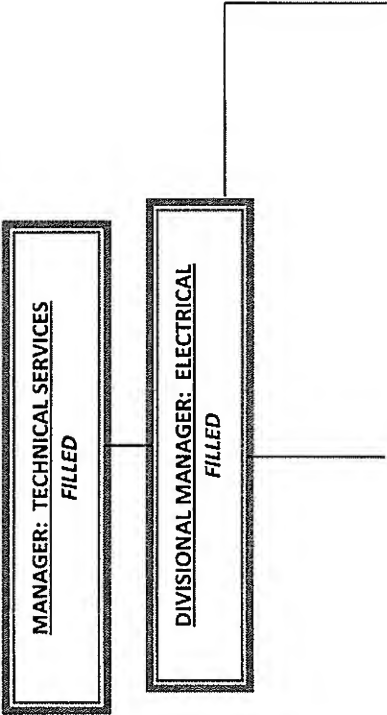


EPWP CHAMPION x1  
*Unfunded x 1 new post*

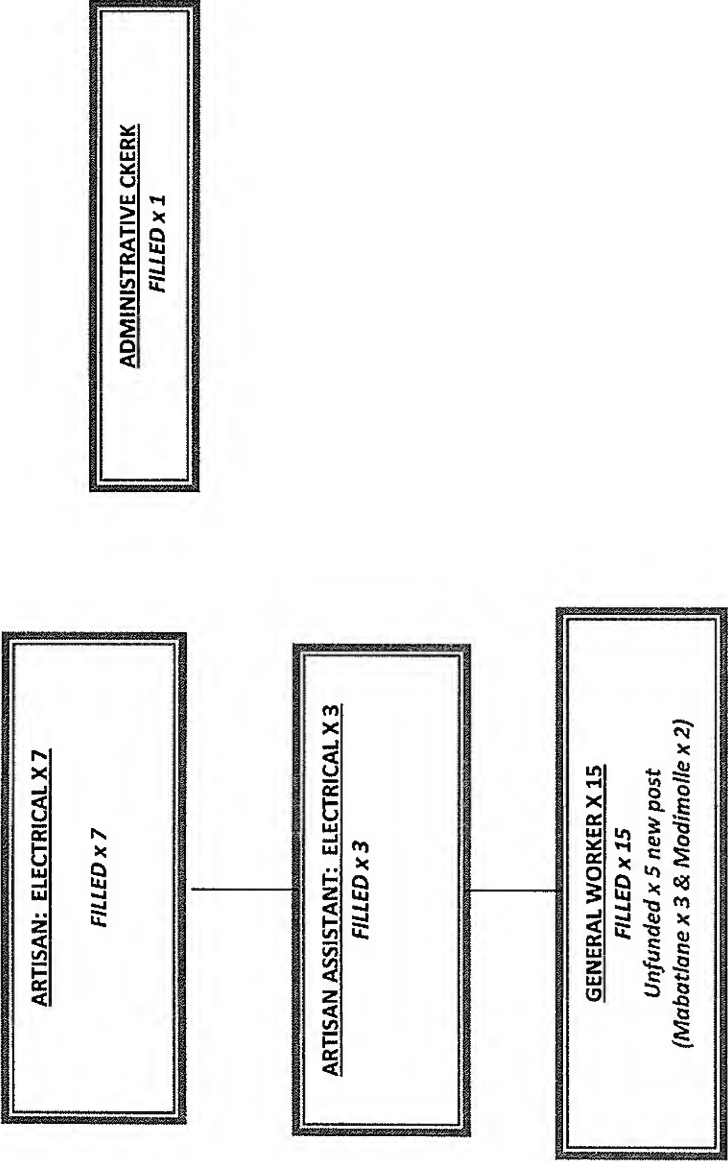
CUSTOMER CARE ATTENDANT x 2  
*FILLED x 1*  
*New posts Unfunded x 1(Mabatlane)*

SECRETARY: MANAGER TECHNICAL SERVICES x1  
*FILLED*

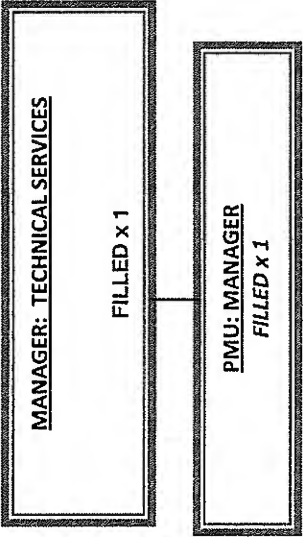
ORGANOGRAMS – TECHNICAL SERVICE’S DEPARTMENT – ELECTRICAL



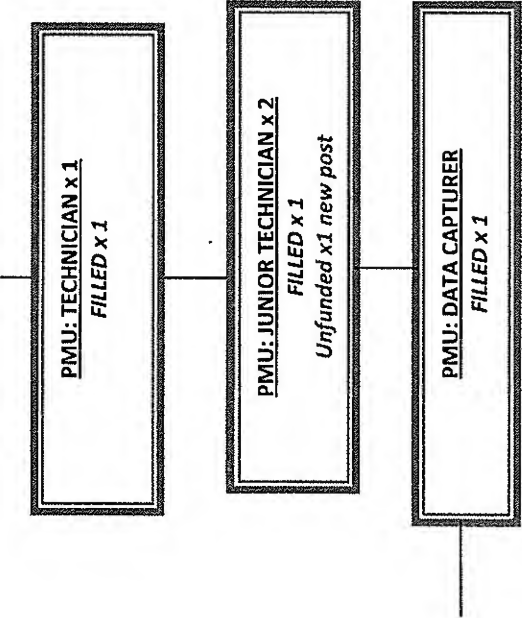
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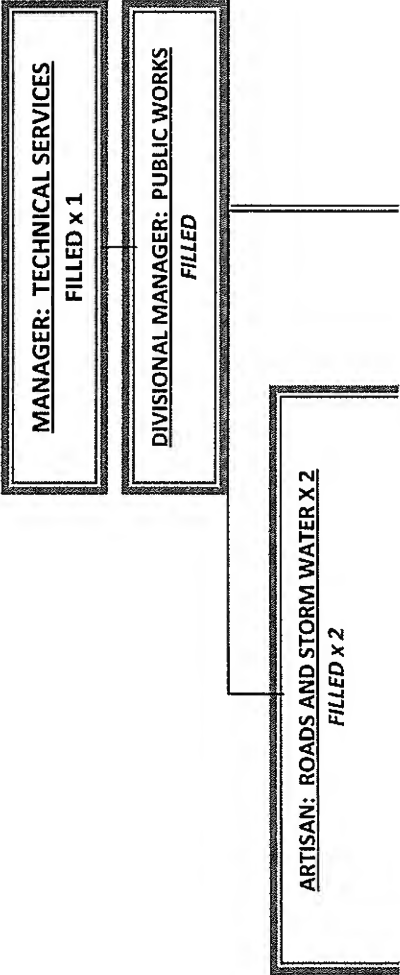
ORGANOGRAMS – TECHNICAL SERVICE’S DEPARTMENT – PROJECTMANAGEMENT UNIT



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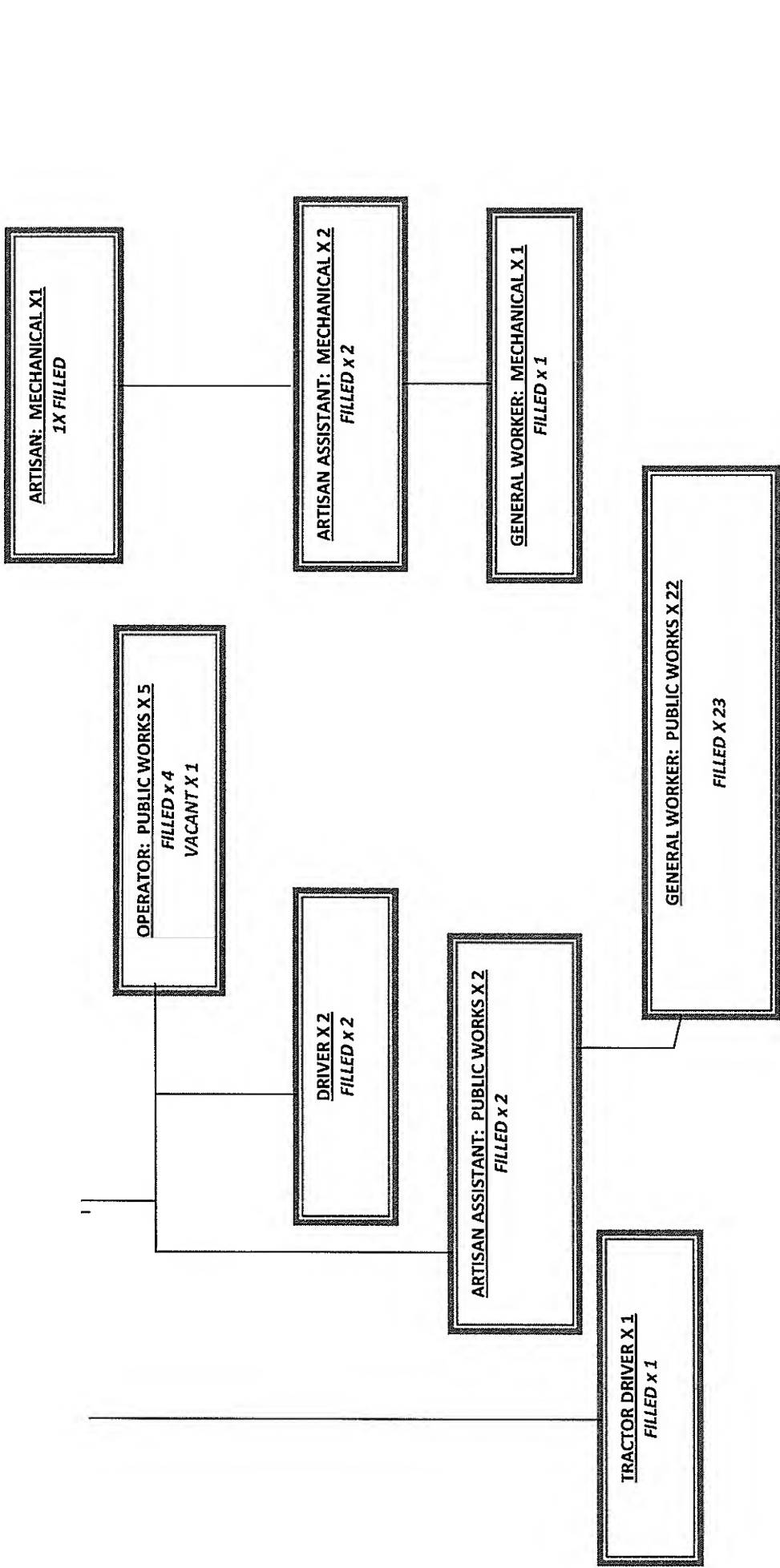


ORGANOGRAMS – TECHNICAL SERVICE’S DEPARTMENT – PUBLIC WORK’S DIVISION

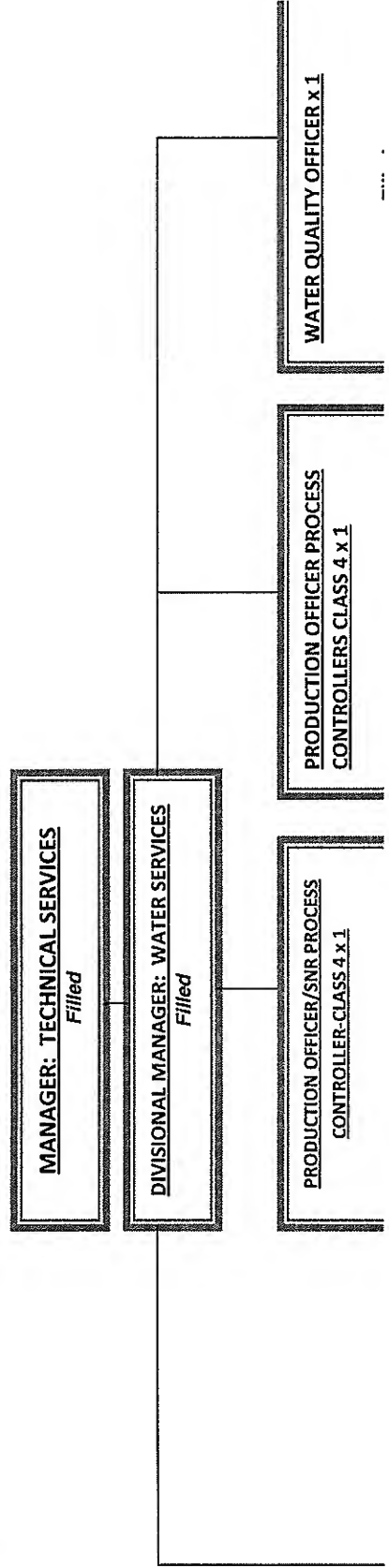


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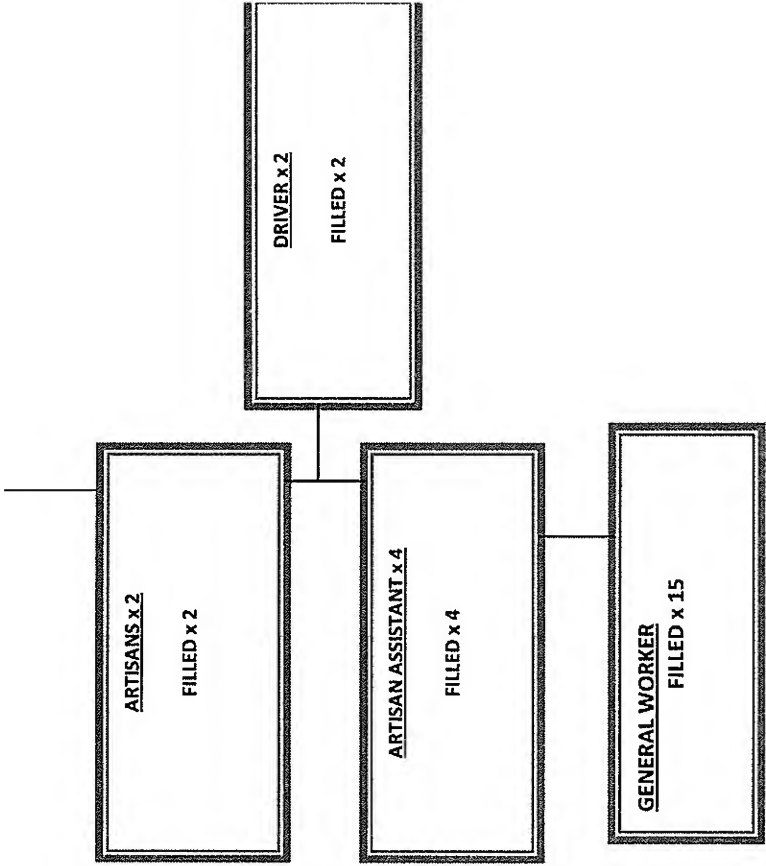
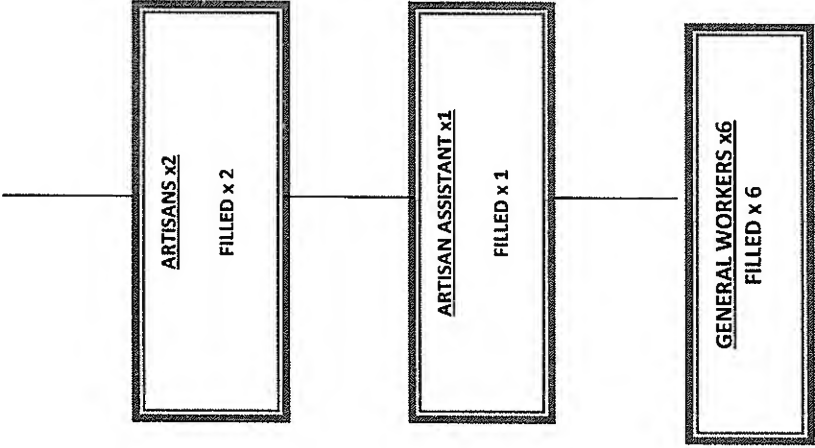


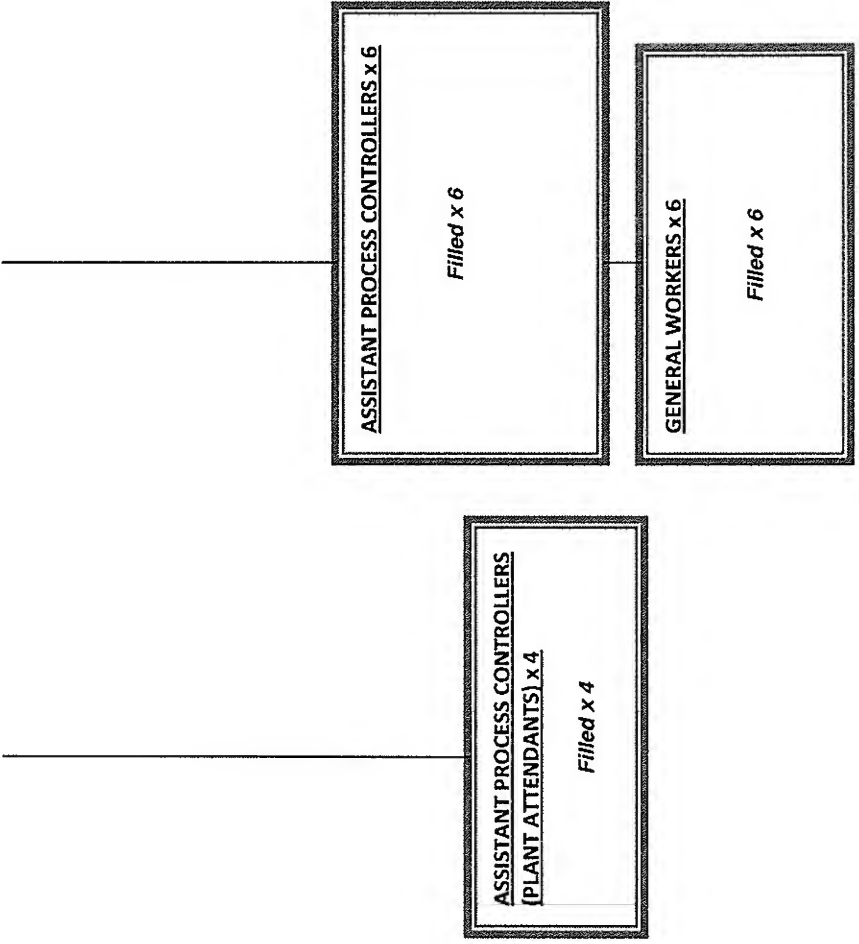


ORGANOGRAMS – TECHNICAL SERVICE'S DEPARTMENT – WATER AND SEWER DIVISION

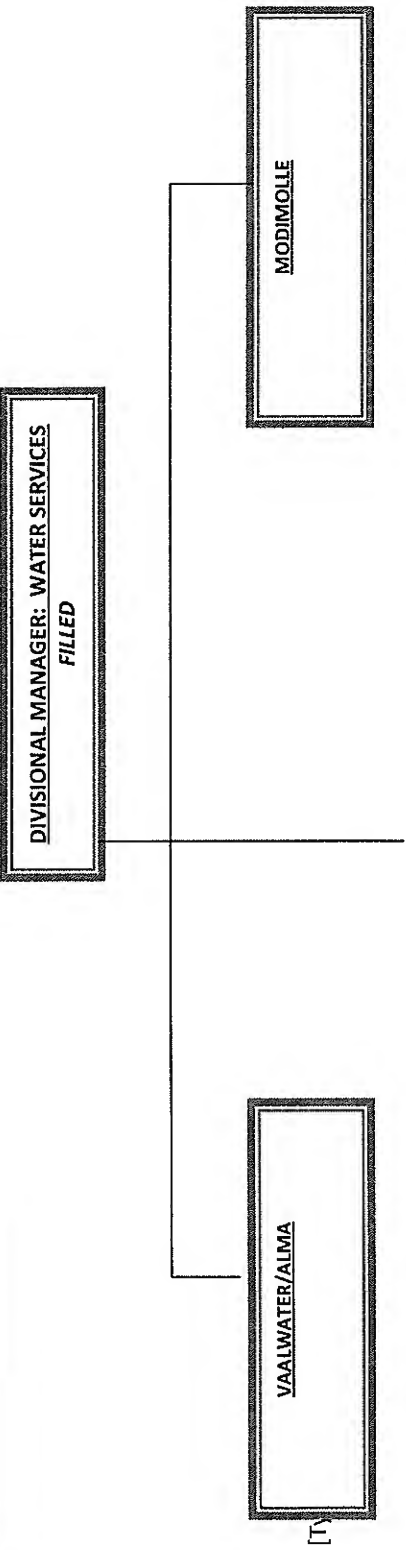


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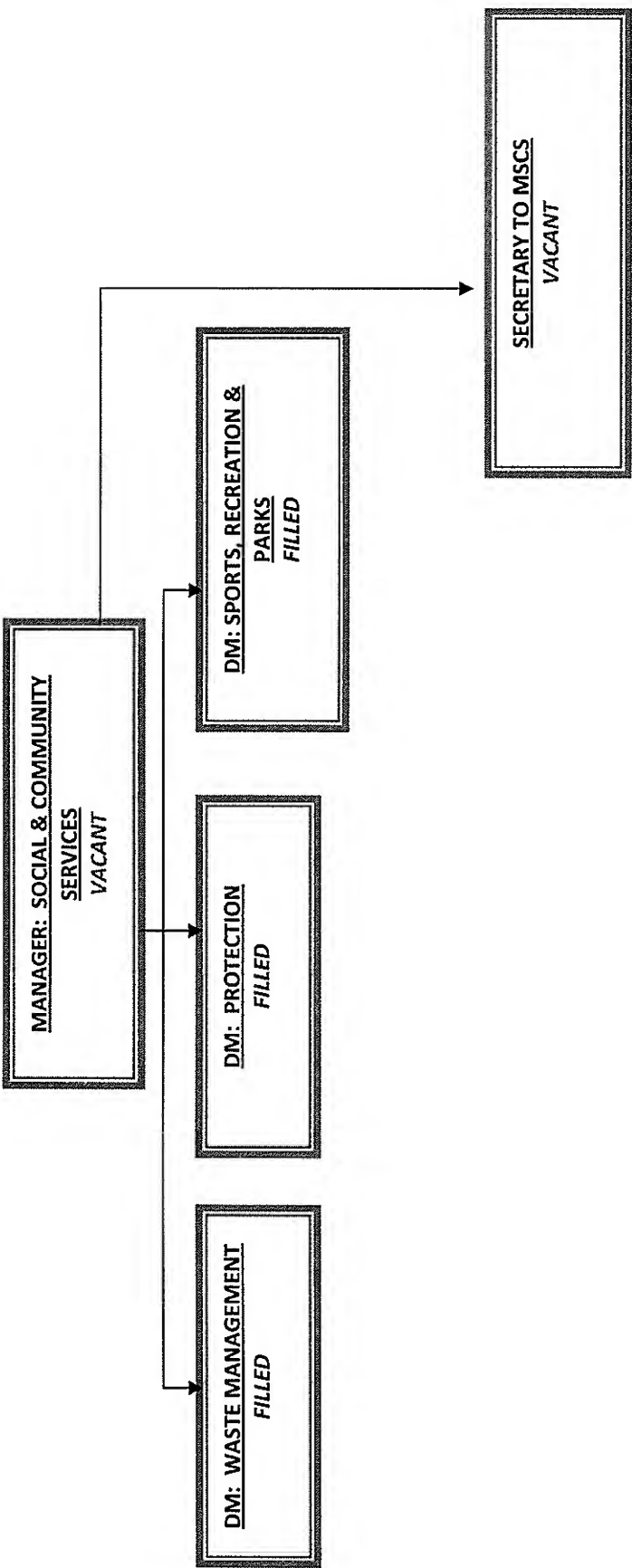


MAINTENANCE TEAM

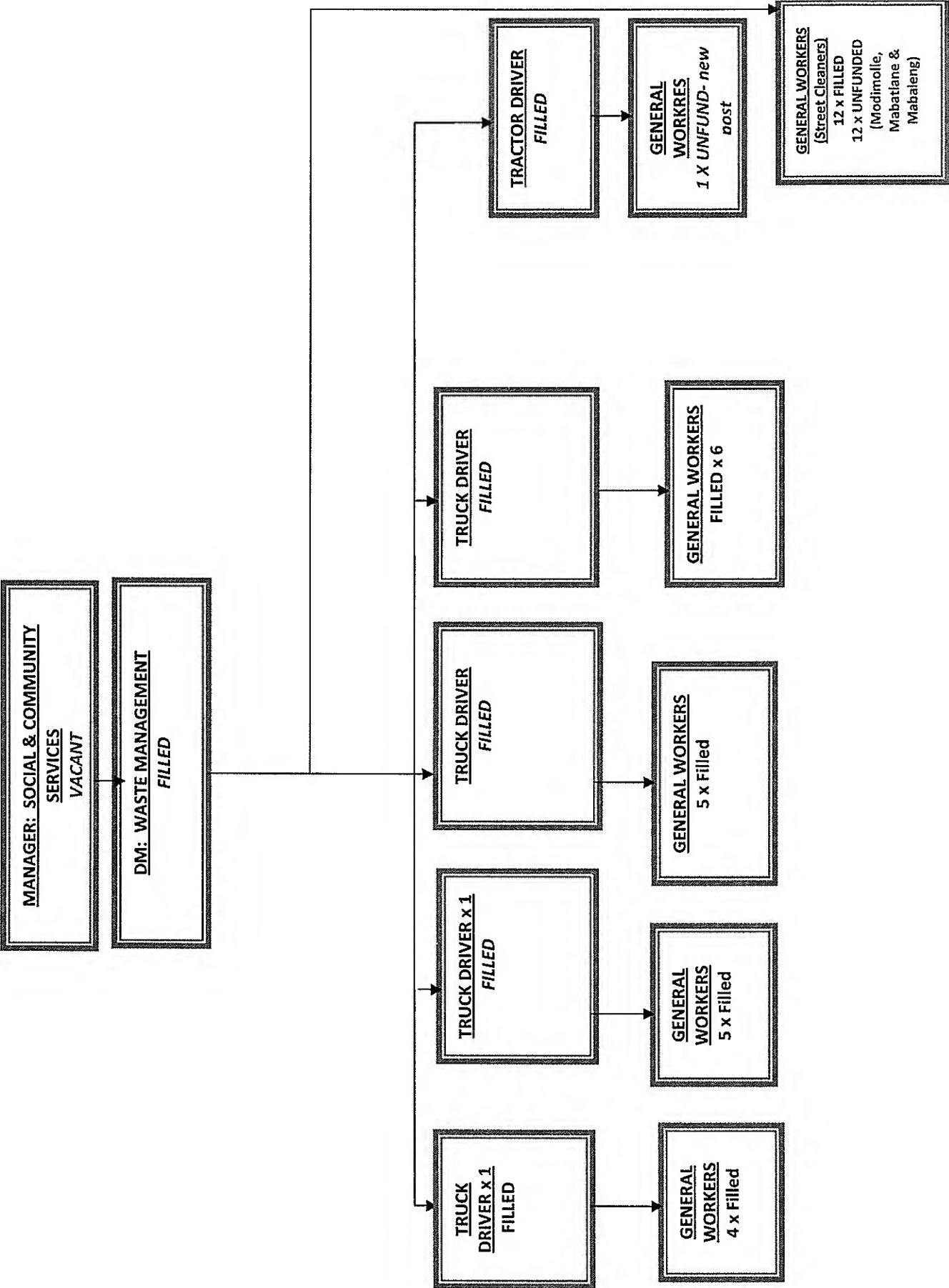


# **SOCIAL AND COMMUNITY SERVICES DEPARTMENT ORGANOGRAM**

ORGANOGRAMS –SOCIAL SERVICE’S DEPARTMENT – WASTE MANAGENT DIVISION

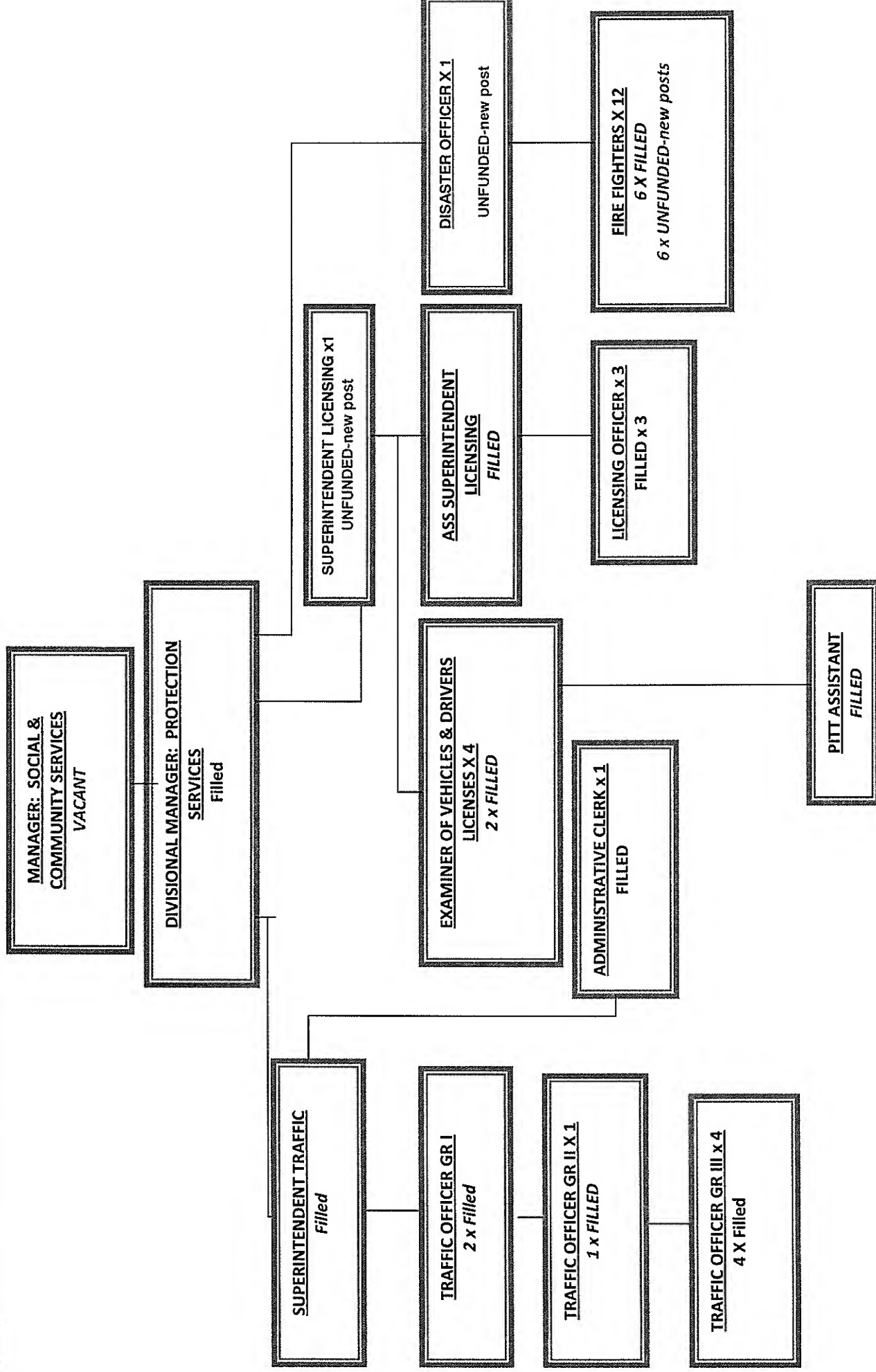


ORGANOGRAMS –SOCIAL SERVICE'S DEPARTMENT – WASTE MANAGENT DIVISION

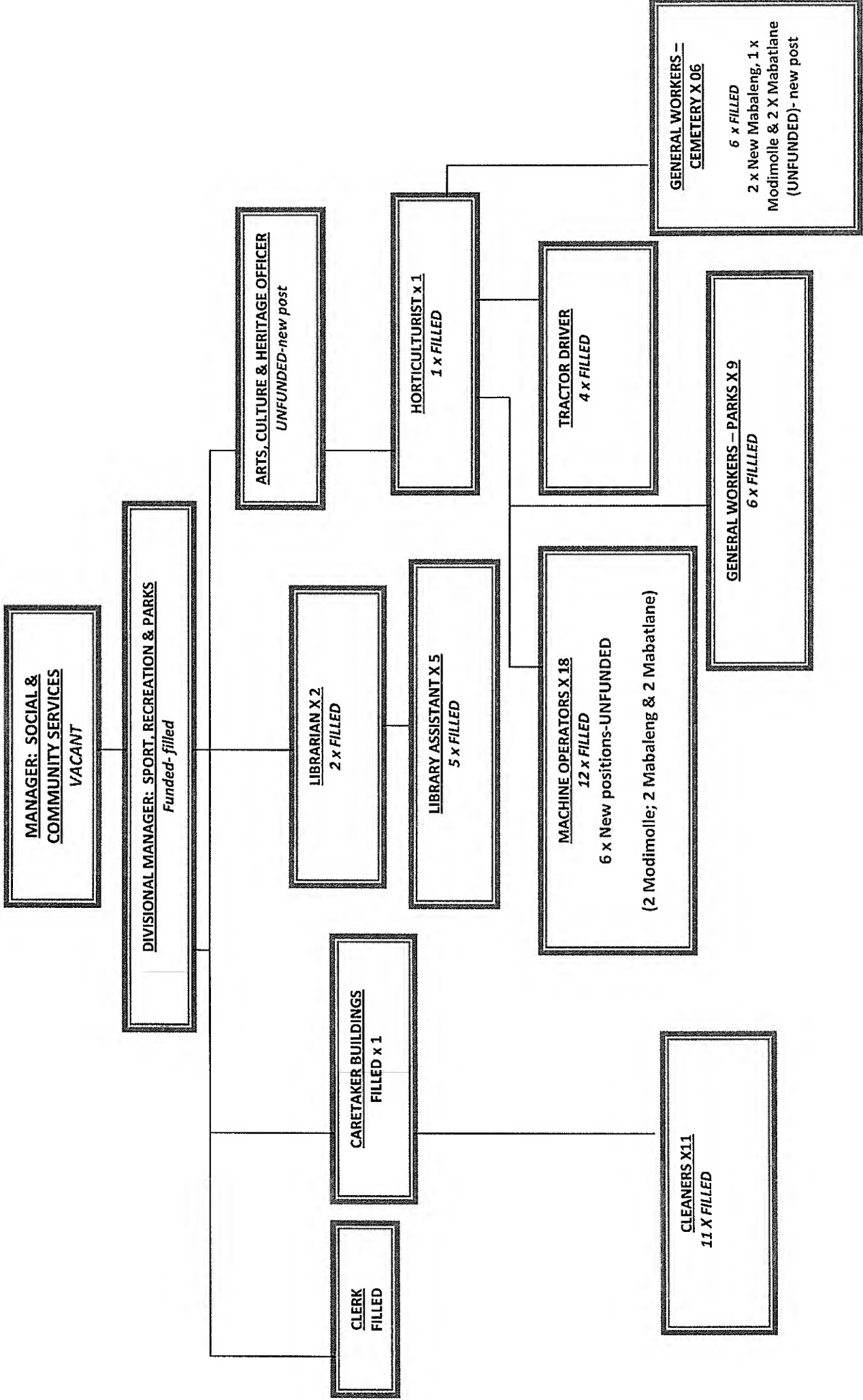




ORGANOGRAMS –SOCIAL SERVICE'S DEPARTMENT – PROTECTION SERVICES



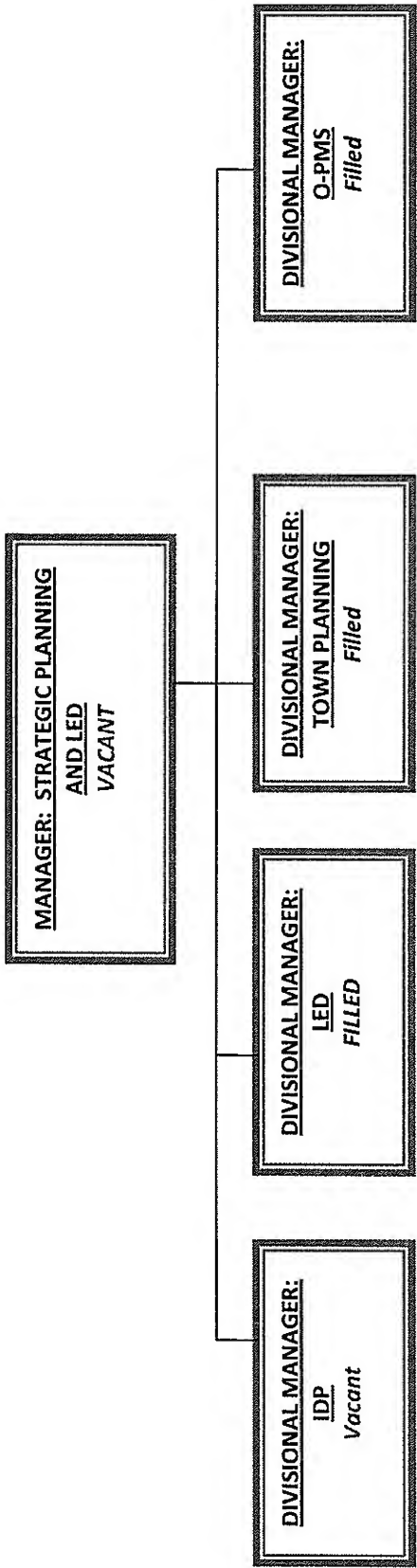
ORGANOGRAMS –SOCIAL SERVICE'S DEPARTMENT – SPORT, ARTS, CULTURE AND RECREATION SERVICE'S DIVISION



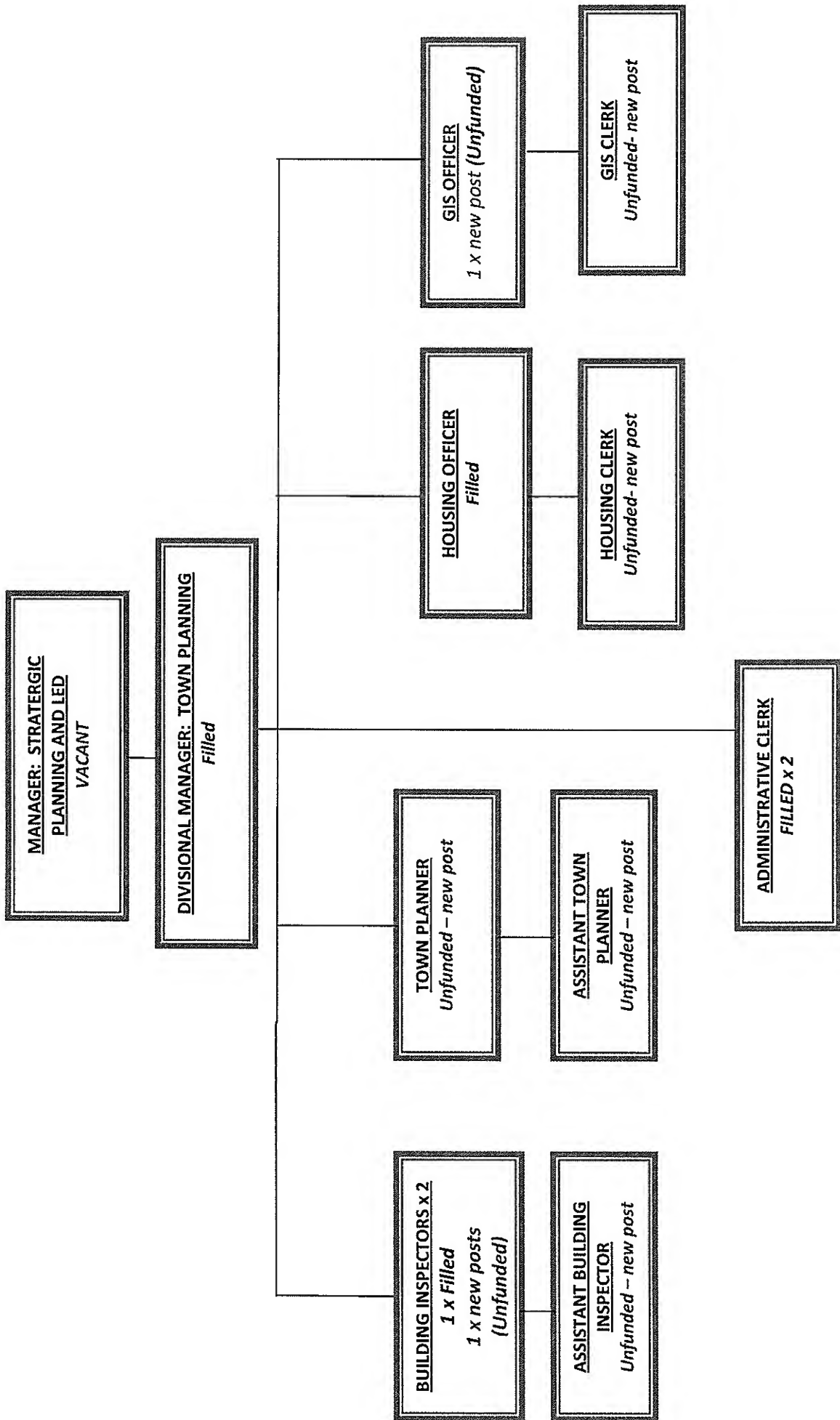
**ORGANIZING**

**STRATEGIC PLANNING & DEVELOPMENT**

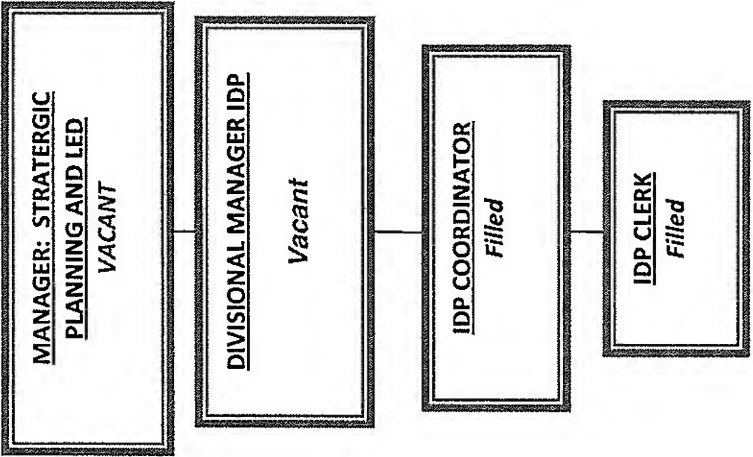
ORGANOGRAM MANAGER STRATEGIC PLANNING AND LED OFFICE



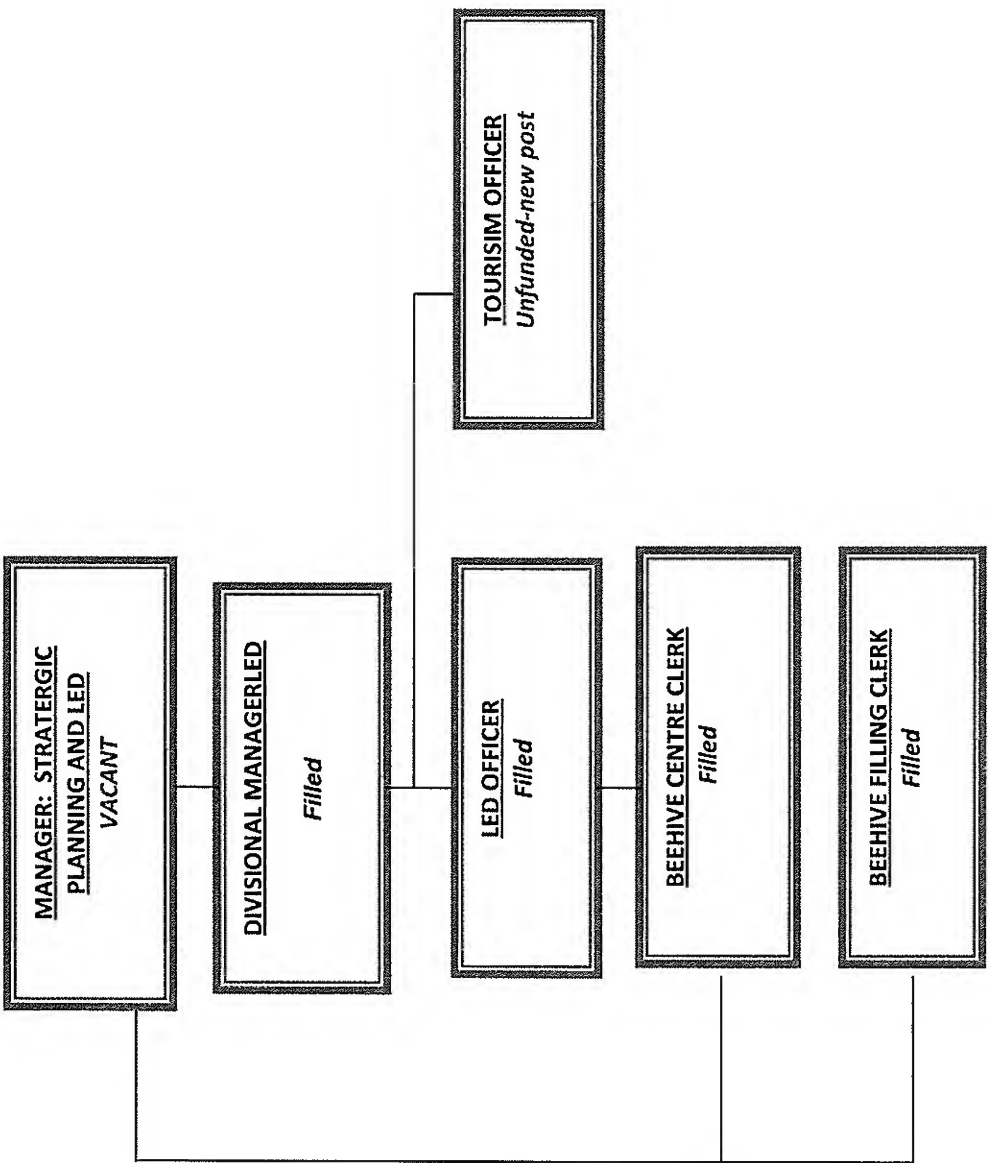
ORGANOGRAM – TOWN PLANNING DIVISION



ORGANOGRAM – IDP DIVISION

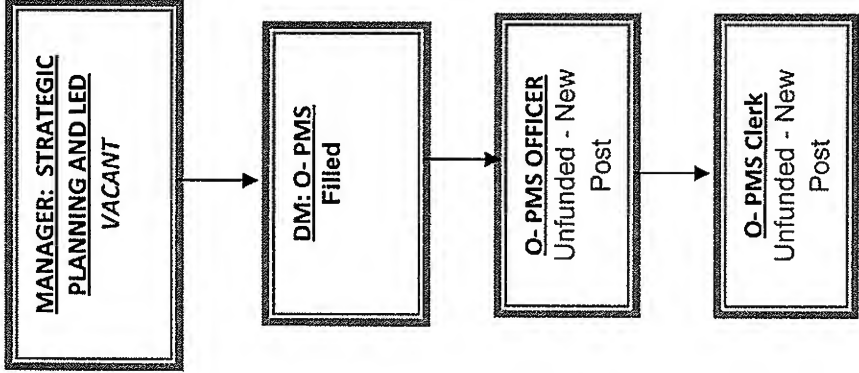


ORGANOGRAM – LED DIVISION





ORGANOGRAM – PERFORMANCE MANAGEMENT SYSTEM DIVISION



# MODIMOLLE LOCAL MUNICIPALITY



## COMMENTS ON 2013/2014 ANNUAL REPORT

Notice is hereby given in terms of Section 21(a) of the Municipal Systems Act, No 32 of 2000 and Section 127(5) of the Municipal Finance Act, 2003 (Act 56 of 2003).

Members of the public, communities within Modimolle Municipality, Government Institutions, Business Communities, Private Sectors and Civil Society Organisations are hereby invited to comment on the Annual Report for Modimolle Municipality for the 2013/2014 financial year.

The report is accessible on the municipal website: [www.modimolle.gov.za](http://www.modimolle.gov.za) or alternatively the hard copies of the report may be perused during office hours from 7:30 – 16:15 on Mondays to Fridays at the following venues:

- Modimolle Municipal Building: O R Tambo Square, Harry Gwala Street.
- Phagameng Library
- Modimolle Town Library
- Mabatlane / Vaalwater Municipal Offices
- Mabaleng Municipal Building

The closing date for written representations or submission is **31 January 2015** at respective sites.

Written comments should be directed to:

The office of the Municipal Manager  
Private Bag X1008  
**MODIMOLLE**  
0510

For further information please do not hesitate to contact Mr T Freysen (Divisional Manager: Organisational PMS) during office hours:

Tel : (014) 718-2043  
Cell : 083 446 4973  
E-mail : [ajordaan@modimolle.gov.za](mailto:ajordaan@modimolle.gov.za)

The Civic Centre  
O R Tambo Square  
Harry Gwala Street  
**MODIMOLLE**  
0510

.....  
**N S BAMBO**  
**MUNICIPAL MANAGER**

(Notice number 59/10/2014 – 15/10/2014)



Modimolle Local Municipality  
Financial statements  
for the year ended 30 June 2014  
Auditor General

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## General Information

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### Mayoral committee

Mayor

KE Lekalakala

Councillors

SA Sebolai

MP Kekana

NG Mashitsho

MC Laubscher

MF Marutha

MS Olifant

G Ferreira

RP Mashaba

MS Motshegoa

NG Mojela

MP Nyama

J Nel

WL Botes

NA Khanya

SJ Moropene

MS Ledwaba

SP Sebelebele

Grading of local authority

3

Accounting Officer

NS Bambo

Chief Finance Officer (CFO)

TM Mathabatha

Registered office

Harry Gwala Street  
OR Tambo Square  
Modimolle  
0510

Business address

Harry Gwala Street  
OR Tambo Square  
Modimolle  
0510

Postal address

Private Bag X 1008  
Modimolle  
0510

Bankers

Standard Bank

Auditors

Auditor General

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Index

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

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### Abbreviations

|         |  |
|---------|--|
| COID    | Compensation for Occupational Injuries and Diseases                |
| CRR     | Capital Replacement Reserve  |
| DBSA    | Development Bank of South Africa                                   |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP    | Generally Recognised Accounting Practice                           |
| GAMAP   | Generally Accepted Municipal Accounting Practice                   |
| HDF     | Housing Development Fund   |
| IAS     | International Accounting Standards                                 |
| IMFO    | Institute of Municipal Finance Officers                            |
| IPSAS   | International Public Sector Accounting Standards                   |
| ME's    | Municipal Entities   |
| MEC     | Member of the Executive Council                                    |
| MFMA    | Municipal Finance Management Act                                   |
| MIG     | Municipal Infrastructure Grant (Previously CMIP)                   |

## **Modimolle Local Municipality**

Financial Statements for the year ended 30 June 2014

### **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the Modimolle Local Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with the South Africa Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

The financial statements set out on pages 5 to 64, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed on its behalf by:

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**NS Bambo**  
**Accounting Officer**



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

| Figures in Rand                            | Note(s) | 2014                 | 2013<br>Restated*    |
|--|---------|----------------------|----------------------|
| <b>Assets</b>                              |         |                      |                      |
| <b>Current Assets</b>                      |         |                      |                      |
| Inventories                                | 10      | 6 385 707            | 6 097 986            |
| Receivables from exchange transactions     | 11      | 71 697 167           | 59 687 477           |
| Receivables from non-exchange transactions | 12      | 24 179 767           | 14 571 421           |
| Investments                                | 8       | 900 000              | 900 000              |
| Current Receivables                        | 9       | 316 094              | 299 416              |
| Cash and cash equivalents                  | 13      | 34 768 777           | 56 119 802           |
|  |         | <b>138 247 512</b>   | <b>137 676 102</b>   |
| <b>Non-Current Assets</b>                  |         |                      |                      |
| Investment property                        | 4       | 5 575 251            | 5 575 251            |
| Property, plant and equipment              | 5       | 882 662 397          | 870 711 706          |
| Intangible assets                          | 6       | 2 497 269            | 2 497 269            |
| Investments                                | 8       | 2 818 721            | 2 333 829            |
|  |         | <b>893 553 638</b>   | <b>881 118 055</b>   |
| <b>Total Assets</b>                        |         | <b>1 031 801 150</b> | <b>1 018 794 157</b> |
| <b>Liabilities</b>                         |         |                      |                      |
| <b>Current Liabilities</b>                 |         |                      |                      |
| Other financial liabilities                | 14      | 367 086              | 483 622              |
| Finance lease obligation                   | 15      | 858 631              | 1 178 946            |
| Payables from exchange transactions        | 18      | 36 415 732           | 31 541 756           |
| VAT payable                                | 19      | 25 871 661           | 21 136 174           |
| Consumer deposits                          | 20      | 3 668 359            | 3 026 762            |
| Employee benefit obligation                | 7       | 647 400              | 528 276              |
| Unspent conditional grants and receipts    | 16      | 23 467 722           | 23 881 258           |
| Provisions                                 | 17      | 256 678              | 299 144              |
|  |         | <b>91 553 269</b>    | <b>82 075 938</b>    |
| <b>Non-Current Liabilities</b>             |         |                      |                      |
| Other financial liabilities                | 14      | 1 375 707            | 1 742 629            |
| Finance lease obligation                   | 15      | 133 046              | 3 275 367            |
| Employee benefit obligation                | 7       | 25 281 249           | 19 930 163           |
| Provisions                                 | 17      | 22 503 982           | 7 726 487            |
|  |         | <b>49 293 984</b>    | <b>32 674 646</b>    |
| <b>Total Liabilities</b>                   |         | <b>140 847 253</b>   | <b>114 750 584</b>   |
| <b>Net Assets</b>                          |         | <b>890 953 897</b>   | <b>904 043 573</b>   |
| <b>Reserves</b>                            |         |                      |                      |
| Housing Development Fund                   |         | 483 263              | 483 263              |
| Accumulated surplus                        |         | 890 470 634          | 903 560 310          |
| <b>Total Net Assets</b>                    |         | <b>890 953 897</b>   | <b>904 043 573</b>   |

\* See Note 2 & 39

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Financial Performance

| Figures in Rand                                     | Note(s) | 2014                 | 2013<br>Restated*    |
|---|---------|----------------------|----------------------|
| <b>Revenue</b>                                      |         |                      |                      |
| <b>Revenue from exchange transactions</b>           |         |                      |                      |
| Service charges                                     | 23      | 122 769 235          | 109 066 284          |
| Rental of facilities and equipment                  |         | 558 025              | 173 310              |
| Interest received (trading)                         |         | 9 691 873            | 7 458 819            |
| Income from agency services                         |         | 2 421 498            | 3 906 671            |
| Fair Value of Shares                                |         | 97 921               | 11 801               |
| Other income  | 25      | 7 538 292            | 5 427 243            |
| Interest received - investment                      |         | 2 712 028            | 2 528 264            |
| <b>Total revenue from exchange transactions</b>     |         | <b>145 788 872</b>   | <b>128 572 392</b>   |
| <b>Revenue from non-exchange transactions</b>       |         |                      |                      |
| <b>Taxation revenue</b>                             |         |                      |                      |
| Property rates                                      | 22      | 27 774 000           | 19 426 513           |
| <b>Transfer revenue</b>                             |         |                      |                      |
| Government grants & subsidies                       |         | 105 807 536          | 100 064 587          |
| Fines   |         | 102 800              | 95 774               |
| <b>Total revenue from non-exchange transactions</b> |         | <b>133 684 336</b>   | <b>119 586 874</b>   |
| <b>Total revenue</b>                                | 21      | <b>279 473 208</b>   | <b>248 159 266</b>   |
| <b>Expenditure</b>                                  |         |                      |                      |
| Employee Related Costs                              | 27      | (95 785 627)         | (70 160 391)         |
| Remuneration of councillors                         | 28      | (5 980 487)          | (5 263 986)          |
| Depreciation and amortisation                       | 30      | (42 083 746)         | (23 419 179)         |
| Impairment loss/ Reversal of impairments            | 31      | (2 400 677)          | -                    |
| Finance costs                                       | 32      | (2 750 634)          | (2 783 111)          |
| Debt impairment                                     |         | (13 886 529)         | (1 163 513)          |
| Repairs and maintenance                             |         | (8 396 421)          | (7 183 478)          |
| Bulk purchases                                      | 36      | (77 381 792)         | (67 252 198)         |
| Contracted services                                 | 35      | (9 822 388)          | (7 150 069)          |
| General Expenses                                    | 26      | (34 943 658)         | (37 346 520)         |
| <b>Total expenditure</b>                            |         | <b>(293 431 959)</b> | <b>(221 722 445)</b> |
| <b>Operating (deficit) surplus</b>                  |         | <b>(13 958 751)</b>  | <b>26 436 822</b>    |
| Loss on disposal of assets and liabilities          |         | (590 530)            | (945 996)            |
| Inventories: Write Down                             |         | (448 598)            | (445 189)            |
| Inventory Surplus                                   |         | -                    | 110 646              |
|   |         | <b>(1 039 128)</b>   | <b>(1 280 539)</b>   |
| <b>(Deficit) surplus for the year</b>               |         | <b>(14 997 879)</b>  | <b>25 156 283</b>    |

\* See Note 2 & 39

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

| Figures in Rand                                       | Housing<br>Development<br>Fund | Accumulated<br>surplus | Total net<br>assets |
|---|--------------------------------|------------------------|---------------------|
| Opening balance as previously reported                | 483 263                        | 831 107 631            | 831 590 894         |
| Adjustments   |                                |                        |                     |
| Prior year adjustments                                | -                              | 47 296 394             | 47 296 394          |
| <b>Balance at 01 July 2012 as restated*</b>           | <b>483 263</b>                 | <b>878 404 025</b>     | <b>878 887 288</b>  |
| Changes in net assets                                 |                                |                        |                     |
| Surplus for the year                                  | -                              | 25 156 285             | 25 156 285          |
| Total changes   | -                              | 25 156 285             | 25 156 285          |
| Opening balance as previously reported                | 483 263                        | 903 560 340            | 904 043 603         |
| Adjustments   |                                |                        |                     |
| Correction of errors                                  | -                              | 1 908 173              | 1 908 173           |
| <b>Restated* Balance at 01 July 2013 as restated*</b> | <b>483 263</b>                 | <b>905 468 513</b>     | <b>905 951 776</b>  |
| Changes in net assets                                 |                                |                        |                     |
| Surplus for the year                                  | -                              | (14 997 879)           | (14 997 879)        |
| Total changes   | -                              | (14 997 879)           | (14 997 879)        |
| <b>Balance at 30 June 2014</b>                        | <b>483 263</b>                 | <b>890 470 634</b>     | <b>890 953 897</b>  |
| Note(s)   |                                |                        |                     |

\* See Note 2 & 39

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

| Figures in Rand   | Note(s)   | 2014                       | 2013<br>Restated*          |
|---|-----------|----------------------------|----------------------------|
| <b>Cash flows from operating activities</b>                 |           |                            |                            |
| <b>Receipts</b>   |           |                            |                            |
| Property Rates  |           | 18 166 112                 | 16 754 300                 |
| Sale of goods and services                                  |           | 107 845 788                | 89 205 844                 |
| Grants  |           | 105 394 000                | 108 407 001                |
| Interest income   |           | 2 712 028                  | 2 528 264                  |
| Other receipts  |           | 27 023 868                 | 5 210 553                  |
| Interest Earned - outstanding receivables                   |           | 9 691 873                  | 7 458 819                  |
| Fines   |           | 102 800                    | 95 771                     |
| Licences and Premits  |           | 2 421 498                  | 3 906 671                  |
| Rental of Facilities and Equipment                          |           | 558 025                    | 173 310                    |
|   |           | <u>273 915 992</u>         | <u>233 740 533</u>         |
| <b>Payments</b>   |           |                            |                            |
| Employee costs  |           | (91 745 174)               | (65 579 968)               |
| Suppliers   |           | (5 980 487)                | (5 263 987)                |
| Finance costs   |           | (585 383)                  | (2 717 057)                |
| Other payments  |           | (32 790 336)               | (36 060 391)               |
| Repair and Maintenance                                      |           | (8 396 421)                | (7 174 955)                |
| Contracted Services   |           | (9 822 388)                | (7 150 069)                |
| Bulk Purchases  |           | (83 159 800)               | (66 806 851)               |
|   |           | <u>(232 479 989)</u>       | <u>(190 753 278)</u>       |
| <b>Net cash flows from operating activities</b>             | <b>37</b> | <b><u>41 436 003</u></b>   | <b><u>42 987 255</u></b>   |
| <b>Cash flows from investing activities</b>                 |           |                            |                            |
| Purchase of property, plant and equipment                   | 5         | (66 324 694)               | (42 146 936)               |
| Proceeds from sale of property, plant and equipment         | 5         | 8 792 679                  | 1 271 735                  |
| Purchase of investments                                     |           | (484 892)                  | -                          |
| Purchase of current receivables                             |           | -                          | (140 269)                  |
| Purchase of investments                                     |           | -                          | (331 612)                  |
|   |           | <u>(58 016 907)</u>        | <u>(41 347 082)</u>        |
| <b>Net cash flows from investing activities</b>             |           | <b><u>(58 016 907)</u></b> | <b><u>(41 347 082)</u></b> |
| <b>Cash flows from financing activities</b>                 |           |                            |                            |
| Repayment of other financial liabilities                    |           | (366 922)                  | (441 298)                  |
| Movement in other liability                                 |           | (2 320 289)                | (329 981)                  |
| Finance lease payments                                      |           | (2 082 910)                | (247 953)                  |
|   |           | <u>(4 770 121)</u>         | <u>(1 019 232)</u>         |
| <b>Net cash flows from financing activities</b>             |           | <b><u>(4 770 121)</u></b>  | <b><u>(1 019 232)</u></b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |           | <b><u>(21 351 025)</u></b> | <b><u>620 941</u></b>      |
| Cash and cash equivalents at the beginning of the year      |           | 56 119 802                 | 55 498 861                 |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>13</b> | <b><u>34 768 777</u></b>   | <b><u>56 119 802</u></b>   |

\* See Note 2 & 39

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved<br>budget | Adjustments | Final Budget | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|--|--------------------|-------------|--------------|--|---|-----------|
|--|--------------------|-------------|--------------|--|---|-----------|

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue by source

|  |                    |                  |                    |                    |                  |         |
|--|--------------------|------------------|--------------------|--------------------|------------------|---------|
| Property rates   | 20 600 000         | 2 120 000        | 22 720 000         | 27 774 000         | 5 054 000        | Note 48 |
| Service charges  | 115 120 000        | 5 990 000        | 121 110 000        | 122 769 235        | 1 659 235        |         |
| Investment revenue   | 2 700 000          | (200 000)        | 2 500 000          | 2 712 028          | 212 028          |         |
| Transfers recognised - operational                                   | 62 686 243         | (626 000)        | 62 060 243         | 62 232 148         | 171 905          |         |
| Other own revenue  | 14 703 064         | 2 686 000        | 17 389 064         | 19 819 878         | 2 430 814        |         |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>215 809 307</b> | <b>9 970 000</b> | <b>225 779 307</b> | <b>235 307 289</b> | <b>9 527 982</b> |         |

##### Expenditure by type

|  |                      |                     |                      |                      |                     |         |
|--|----------------------|---------------------|----------------------|----------------------|---------------------|---------|
| Employee costs   | (76 219 517)         | (10 335 751)        | (86 555 268)         | (96 655 527)         | (10 100 259)        | Note 48 |
| Remuneration of councillors  | (5 831 500)          | (660 200)           | (6 491 700)          | (5 980 487)          | 511 213             |         |
| Debt impairment  | (5 000 000)          | -                   | (5 000 000)          | (13 886 529)         | (8 886 529)         |         |
| Depreciation & asset impairment                                      | (33 274 450)         | 6 057 102           | (27 217 348)         | (44 484 423)         | (17 267 075)        |         |
| Finance charges  | (3 026 000)          | 16 000              | (3 010 000)          | (2 750 634)          | 259 366             |         |
| Materials and bulk purchases   | (87 440 340)         | (9 339 270)         | (96 779 610)         | (95 591 086)         | 1 188 524           |         |
| Other expenditure  | (39 806 898)         | (410 129)           | (40 217 027)         | (34 531 872)         | 5 685 155           |         |
| <b>Total expenditure</b>   | <b>(250 598 705)</b> | <b>(14 672 248)</b> | <b>(265 270 953)</b> | <b>(293 880 558)</b> | <b>(28 609 605)</b> |         |
| <b>Surplus/(Deficit)</b>   | <b>(34 789 398)</b>  | <b>(4 702 248)</b>  | <b>(39 491 646)</b>  | <b>(58 573 269)</b>  | <b>(19 081 623)</b> |         |
| Transfers recognised - capital                                       | 49 672 757           | 19 479 525          | 69 152 282           | 43 575 388           | (25 576 894)        |         |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b> | <b>14 883 359</b>    | <b>14 777 277</b>   | <b>29 660 636</b>    | <b>(14 997 881)</b>  | <b>(44 658 517)</b> |         |
| <b>Surplus/(Deficit) for the year</b>                                | <b>14 883 359</b>    | <b>14 777 277</b>   | <b>29 660 636</b>    | <b>(14 997 881)</b>  | <b>(44 658 517)</b> |         |

#### Reconciliation

##### Format and classification differences

|  |                     |
|--|---------------------|
| Employee Related Cost  | (869 901)           |
| Materials and bulk purchases                                   | (9 515)             |
| General Expenditure  | 879 416             |
| <b>Actual Amount in the Statement of Financial Performance</b> | <b>(14 997 881)</b> |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### Trade receivables and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to debtors balances in the portfolio and scaled to the estimated loss emergence period.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

##### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

##### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows in terms of GRAP 104.61 - 63.

#### 1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.2 Investment property (continued)

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item                            | Average useful life |
|---------------------------------|---------------------|
| Buildings                       | 5 - 80              |
| Community Assets                |                     |
| • Community Facility            | 7 - 100             |
| • Sport and Recreation Facility | 7 - 100             |
| Infrastructure Assets           |                     |
| • Electricity network           | 4 - 100             |
| • Road and storm water network  | 4 - 100             |
| • Sanitation network            | 4 - 100             |
| • Water Supply Network          | 4 - 100             |
| Other assets                    |                     |
| • Housing                       | 5 - 80              |
| • Operational Buildings         | 5 - 80              |
| • Office Equipment              | 3 - 7               |
| • General Motor Vehicles        | 5                   |
| • Furniture and Fittings        | 3 - 7               |
| • Plant and equipment           | 5 - 12              |

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

### 1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.4 Intangible assets (continued)

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item                     | Useful life |
|--------------------------|-------------|
| Electricity servitudes   | indefinite  |
| Sanitation servitudes    | indefinite  |
| Stormwater servitudes    | indefinite  |
| Water servitudes         | indefinite  |
| Computer software, other | 3years      |

### 1.5 Financial instruments

#### Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Investment
- Cash and cash equivalents
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

#### Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

#### Subsequent measurement

Loans, receivables and investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

# **Modimolle Local Municipality**

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

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### **1.5 Financial instruments (continued)**

#### **Receivables from exchange transactions**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### **Payables from exchange transactions**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### **Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### **Receivables from non-exchange transactions**

Receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

### **1.6 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.6 Leases (continued)

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.7 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### 1.9 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.9 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.



## **Accounting Policies**

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### **1.11 Employee benefits (continued)**

#### **Post-employment benefits: Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.11 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

## **Accounting Policies**

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### **1.11 Employee benefits (continued)**

#### **Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### **Termination benefits**

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### **1.12 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

# **Modimolle Local Municipality**

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

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### **1.12 Provisions and contingencies (continued)**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

### **1.13 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of prepaid electricity is recognised from the point of sale. It is estimated that prepaid electricity is consumed within nine (9) days after purchase, due to system limitations which does not allow the municipality an option to draw a report on actuals on the prepaid meters of consumers. Prepaid electricity sold but presumed to be unused at year-end is disclosed as payables from exchange transaction.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.13 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

# **Modimolle Local Municipality**

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

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### **1.14 Revenue from non-exchange transactions (continued)**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### **1.15 Borrowing costs**

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

## **Accounting Policies**

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### **1.16 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.17 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.18 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.19 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

### **1.20 Presentation of currency**

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

### **1.21 Offsetting**

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

### **1.22 Housing development fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### **1.23 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.24 Budget information**

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by a municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.



# **Modimolle Local Municipality**

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

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### **1.24 Budget information (continued)**

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### **1.25 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand

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### 2. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the new or revised standards.

|            |   |
|------------|---|
| • GRAP 1   | Presentation of Financial Statements                        |
| • GRAP 2   | Cash Flow Statements  |
| • GRAP 3   | Accounting Policies, Changes in Accounting                  |
| • GRAP 4   | The effects of Changes in Foreign Exchange rates            |
| • GRAP 5   | Borrowing cost  |
| • GRAP 6   | Consolidated and Seperate Financial Statements              |
| • GRAP 7   | Investments in Associates                                   |
| • GRAP 8   | Interest in Joint Ventures                                  |
| • GRAP 9   | Revenue from Exchange transactions                          |
| • GRAP 10  | Financial Reporting in Hyperinflationary Economies          |
| • GRAP 11  | Construction contracts                                      |
| • GRAP 12  | Inventories   |
| • GRAP 13  | Leases  |
| • GRAP 14  | Event After the Reporting Date                              |
| • GRAP 16  | Investment Property   |
| • GRAP 17  | Property, Plant and Equipment                               |
| • GRAP 19  | Provisions, Contingent Liabilities and Contingent Assets    |
| • GRAP 21  | Impairment of non-cash-generating assets                    |
| • GRAP 23  | Revenue from non-exchange transactions                      |
| • GRAP 24  | Presentation of Budget information in Financial Statements  |
| • GRAP 26  | Impairment of cash-generating assets                        |
| • GRAP 27  | Agriculture   |
| • GRAP 31  | Intangible assets   |
| • GRAP 100 | Non-current Assets Held for Sale and Discontinue Operations |
| • GRAP 101 | Agriculture   |
| • GRAP 102 | Intangible Assets   |
| • GRAP 103 | Heritage Assets   |
| • GRAP 104 | Financial Instruments                                       |

### 3. New standards and interpretations

#### 3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

| Standard/ Interpretation:  | Effective date:<br>Years beginning on or<br>after | Expected impact: |
|--|---|------------------|
| • GRAP 25: Employee benefits   | 01 April 2013                                     |                  |
| • GRAP 1 (as revised 2012): Presentation of Financial Statements                           | 01 April 2013                                     |                  |
| • GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors | 01 April 2013                                     |                  |
| • GRAP 9 (as revised 2012): Revenue from Exchange Transactions                             | 01 April 2013                                     |                  |
| • GRAP 12 (as revised 2012): Inventories   | 01 April 2013                                     |                  |
| • GRAP 13 (as revised 2012): Leases  | 01 April 2013                                     |                  |
| • GRAP 16 (as revised 2012): Investment Property   | 01 April 2013                                     |                  |
| • GRAP 17 (as revised 2012): Property, Plant and Equipment                                 | 01 April 2013                                     |                  |
| • GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)                         | 01 April 2013                                     |                  |
| • IGRAP16: Intangible assets website costs   | 01 April 2013                                     |                  |
| • IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue | 01 April 2013                                     |                  |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

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### 3. New standards and interpretations (continued)

#### 3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

#### **GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions in the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 July 2014.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

#### **GRAP 105: Transfers of functions between entities under common control**

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

#### **GRAP 106: Transfers of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

## Notes to the Financial Statements

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### 3. New standards and interpretations (continued)

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

#### GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

#### GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

## Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

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#### 3. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

The impact of this standard is currently being assessed.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand

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### 4. Investment property

|                     | 2014                |  |                | 2013                |  |                |
|---------------------|---------------------|--|----------------|---------------------|--|----------------|
|                     | Cost /<br>Valuation | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value |
| Investment property | 5 575 251           | -  | 5 575 251      | 5 575 251           | -  | 5 575 251      |

### Reconciliation of investment property - 2014

|                     | Opening<br>balance | Total     |
|---------------------|--------------------|-----------|
| Investment property | 5 575 251          | 5 575 251 |

### Reconciliation of investment property - 2013

|                     | -238793.79 | Correction of<br>Error | Total     |
|---------------------|------------|------------------------|-----------|
| Investment property | -          | 5 575 251              | 5 575 251 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

**Modimolle Local Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

Figures in Rand

**5. Property, plant and equipment**

|                                     | 2014                 |   | 2013  |                      |
|-------------------------------------|----------------------|---|---|----------------------|
|                                     | Cost /<br>Valuation  | Accumulated depreciation<br>and<br>impairment | Carrying value                                | Cost /<br>Valuation  |
|                                     |                      |   | Accumulated depreciation<br>and<br>impairment | Carrying value       |
| Land                                | 390 737 316          | (9 191 241)                                   | 381 546 075                                   | 377 265 228          |
| Buildings                           | 52 279 189           | (15 876 266)                                  | 36 402 923                                    | 52 541 256           |
| Infrastructure                      | 565 653 725          | (134 900 596)                                 | 430 753 129                                   | 527 952 902          |
| Community                           | 24 494 146           | (7 876 190)                                   | 16 617 956                                    | 24 424 060           |
| Other property, plant and equipment | 23 384 170           | (8 189 008)                                   | 15 195 162                                    | 19 370 503           |
| Finance lease asset                 | 5 271 610            | (3 124 458)                                   | 2 147 152                                     | 5 271 609            |
| <b>Total</b>                        | <b>1 061 820 156</b> | <b>(179 157 759)</b>                          | <b>882 662 397</b>                            | <b>1 006 825 558</b> |
|                                     |                      |   | <b>(136 113 852)</b>                          | <b>870 711 706</b>   |



**Modimolle Local Municipality**  
Financial Statements for the year ended 30 June 2014  
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**5. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2014**

|                                     | Opening<br>balance | Additions         | WIP Released      | Disposals/Tra<br>nsfers from<br>WIP | Assets under<br>construction | Depreciation<br>loss | Impairment<br>loss | Acc.<br>Depreciation<br>Disposals/Tra<br>nsfers | Total              |
|-------------------------------------|--------------------|-------------------|-------------------|-------------------------------------|------------------------------|----------------------|--------------------|---|--------------------|
| Land                                | 374 273 027        | 13 472 089        | -                 | -                                   | -                            | (6 199 041)          | -                  | -   | 381 546 075        |
| Buildings                           | 39 493 169         | 394 737           | -                 | (616 278)                           | -                            | (2 991 547)          | (314 226)          | 437 068   | 36 402 923         |
| Infrastructure                      | 422 862 144        | 2 336 558         | 11 289 754        | (6 790 953)                         | 30 954 183                   | (28 308 280)         | (2 019 808)        | 429 532   | 430 753 130        |
| Community                           | 18 277 746         | -                 | -                 | (379 471)                           | 449 557                      | (1 984 587)          | (49 138)           | 303 850   | 16 617 957         |
| Other property, plant and equipment | 12 603 943         | 254 586           | 1 916 654         | (1 596 507)                         | 3 438 934                    | (1 545 752)          | (17 505)           | 140 824   | 15 195 177         |
| Finance lease assets                | 3 201 474          | -                 | -                 | -                                   | -                            | (1 054 322)          | -                  | -   | 2 147 152          |
|                                     | <b>870 711 503</b> | <b>16 457 970</b> | <b>13 206 408</b> | <b>(9 383 209)</b>                  | <b>34 842 674</b>            | <b>(42 083 529)</b>  | <b>(2 400 677)</b> | <b>1 311 274</b>                                | <b>882 662 414</b> |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

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### 5. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2013

|                                     | Opening balance    | Additions         | WIP capitalized   | Disposals/Transfers form WIP | Correction of Error | Assets under construction | Depreciation        | Total              |
|-------------------------------------|--------------------|-------------------|-------------------|------------------------------|---------------------|---------------------------|---------------------|--------------------|
| Land                                | 357 543 772        | 801 786           | -                 | -                            | 16 259 553          | -                         | (332 084)           | 374 273 027        |
| Buildings                           | 41 328 018         | -                 | -                 | -                            | (238 794)           | -                         | (1 596 055)         | 39 493 169         |
| Infrastructure                      | 391 412 378        | 15 481 596        | 15 458 783        | (15 458 783)                 | 19 066 206          | 14 480 714                | (17 578 750)        | 422 862 144        |
| Community                           | 14 180 358         | -                 | 702 646           | -                            | 4 035 696           | -                         | (640 963)           | 18 277 737         |
| Other property, plant and equipment | 10 020 149         | 353 906           | -                 | (1 271 735)                  | 2 444 730           | 3 589 837                 | (2 532 944)         | 12 603 943         |
| Finance lease assets                | 4 215 463          | -                 | -                 | -                            | 49 368              | -                         | (1 063 357)         | 3 201 474          |
|                                     | <b>818 700 138</b> | <b>16 637 288</b> | <b>16 161 429</b> | <b>(16 730 518)</b>          | <b>41 616 759</b>   | <b>18 070 551</b>         | <b>(23 744 153)</b> | <b>870 711 494</b> |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The Municipality does not own any heritage assets.

For more detail information about assets please refer to Appendix B.

### 6. Intangible assets

|            | 2014                |  | 2013                |  |
|------------|---------------------|--|---------------------|--|
|            | Cost /<br>Valuation | Accumulated amortisation<br>and<br>accumulated<br>impairment | Cost /<br>Valuation | Accumulated amortisation<br>and<br>accumulated<br>impairment |
| Servitudes | 2 497 269           | -  | 2 497 269           | -  |
|            |                     |  | 2 497 269           | 2 497 269  |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

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|-----------------|------|------|

### 6. Intangible assets (continued)

#### Reconciliation of intangible assets - 2014

|            | Opening<br>balance | Total     |
|------------|--------------------|-----------|
| Servitudes | 2 497 269          | 2 497 269 |

#### Reconciliation of intangible assets - 2013

|            | Opening<br>balance | Total     |
|------------|--------------------|-----------|
| Servitudes | 2 497 269          | 2 497 269 |

### 7. Employee benefit obligations

#### Defined benefit plan

#### Post employment health care plan

The post-employment health care benefit plan is a defined benefit plan, which is made up as follows:

|   | 2014  | 2013  |
|---|-------|-------|
| <b>Eligible In-service members</b>                  |       |       |
| Number of Principal Members                         | 135   | 111   |
| Eligible Non-Members                                | 208   | 210   |
| Average Age of Members                              | 43    | 42    |
| Average Past Service                                | 9     | 9     |
| Average number of Dependants for In-Service Members | 2     | 2     |
| <b>Continuing Members</b>                           |       |       |
| Number of Principal Members                         | 21    | 18    |
| Average Age of Members                              | 72    | 73    |
| Average Employee Contributions                      | 2 569 | 2 446 |

#### The liability in respect of past service has been estimated to be as follows:

|                         | 2014              | 2013              |
|-------------------------|-------------------|-------------------|
| In-service members      | 13 045 526        | 10 580 291        |
| In-services non-members | 5 042 809         | 3 760 566         |
| Continuation members    | 7 840 314         | 6 117 582         |
|                         | <b>25 928 649</b> | <b>20 458 439</b> |

#### The amounts recognised in the statement of financial position are as follows:

#### Carrying value

|  |                     |                     |
|--|---------------------|---------------------|
| Present value of the defined benefit obligation-partially or wholly funded | (25 928 649)        | (20 458 439)        |
| Non-current liabilities  | (25 281 249)        | (19 930 163)        |
| Current liabilities  | (647 400)           | (528 276)           |
|  | <b>(25 928 649)</b> | <b>(20 458 439)</b> |

#### Changes in the present value of the defined benefit obligation are as follows:

|  |                   |                   |
|--|-------------------|-------------------|
| Opening balance  | 20 458 439        | 17 900 419        |
| Benefits paid  | (528 276)         | (471 720)         |
| Net expense recognised in the statement of financial performance | 5 998 486         | 3 029 740         |
| <b>Closing balance</b>   | <b>25 928 649</b> | <b>20 458 439</b> |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
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|-----------------|------|------|

### 7. Employee benefit obligations (continued)

#### Net expense recognised in the statement of financial performance

|   |                  |                  |
|---|------------------|------------------|
| Current service cost                            | 1 154 478        | 1 151 401        |
| Interest cost                                   | 1 826 651        | 1 421 524        |
| Actuarial (gains) losses                        | 3 017 357        | 456 815          |
| <b>Total included in employee related costs</b> | <b>5 998 486</b> | <b>3 029 740</b> |

#### Key assumptions used

Assumptions used at the reporting date:

|                                       |        |        |
|---------------------------------------|--------|--------|
| Discount rates used                   | 9.12 % | 9.04 % |
| Expected rate of return on assets     | 8.29 % | 7.85 % |
| Health Care cost inflations Rates     | 0.77 % | 1.10 % |
| Actual return on reimbursement rights | 58     | 58     |

The basis used to determine the discount rate is as follow:

A discount rate of 9.12% per annum has been used. The corresponding index-linked yield at this term is 1.72%. The rate is calculated by using a weighted average of yields for the three components of the liability.

The employee benefit obligation was independently performed by ARCH Actuarial Consulting. The report was prepared by Chanan Weiss BSc FFA. Chanan is a Fellow of the Actuarial Society of South Africa.

#### Other assumptions

Changes in the present value of the defined benefit obligations for the current and previous four years are as follows:

|  | 2014              | 2013              | 2012              | 2011              | 2010              |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Opening Balance  | 20 458 439        | 17 900 419        | 17 016 505        | 12 323 194        | 11 306 934        |
| Benefits Paid  | (528 276)         | (471 720)         | (482 616)         | (483 562)         | (448 476)         |
| Net expense recognised in the Statement of Financial Performance | 5 998 486         | 3 029 740         | 1 366 530         | 5 176 873         | 1 464 736         |
| Closing Balance  | <b>25 928 649</b> | <b>20 458 439</b> | <b>17 900 419</b> | <b>17 016 505</b> | <b>12 323 194</b> |
| Experience adjustments arising on the plan liabilities           | 1 739 000         | 1 075 000         | (3 028 000)       | 3 597 000         | -                 |

| The amounts recognised in the Statement of Financial Position are as follows: | 2014       | 2013       | 2012       | 2011       | 2010       |
|---|------------|------------|------------|------------|------------|
| Present value of the defined benefit obligations - partially or wholly funded | 25 928 649 | 20 458 439 | 17 900 419 | 17 016 505 | 12 323 194 |

A one percent change in assumed health cost trends rates would have the following effects:

| Sensitivity Analysis      | Change | Current-Service Cost | Interest Cost     | Total             | % Change    |
|---------------------------|--------|----------------------|-------------------|-------------------|-------------|
| Central Assumptions       |        | 1 154 500            | 1 826 700         | 2 981 200         | - %         |
| Health Care Inflation     | +1%    | 1 412 400            | 2 111 400         | 3 523 800         | 18 %        |
|                           | -1%    | 937 900              | 1 583 900         | 2 521 800         | (15)%       |
| Post-Retirement Mortality | -1yr   | 1 189 200            | 1 891 800         | 3 081 000         | 3 %         |
| Average Retirement Age    | -1yr   | 1 273 200            | 1 909 000         | 3 182 200         | 7 %         |
| Withdrawal Rate           | -50%   | 1 420 300            | 1 973 300         | 3 393 600         | 14 %        |
|                           |        | <b>7 387 500</b>     | <b>11 296 100</b> | <b>18 683 600</b> | <b>27 %</b> |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand                | 2014             | 2013             |
|--------------------------------|------------------|------------------|
| <b>8. Investments</b>          |                  |                  |
| N T K                          | 113 721          | 15 801           |
| Fixed Deposit                  | 900 000          | 900 000          |
| Investments                    | 2 705 000        | 2 318 028        |
|                                | <b>3 718 721</b> | <b>3 233 829</b> |
| <b>Current and Non-Current</b> |                  |                  |
| Current Investment             | 900 000          | 900 000          |
| Non-current Investments        | 2 818 721        | 2 333 829        |
|                                | <b>3 718 721</b> | <b>3 233 829</b> |

Fixed deposits amounting to R900 000 (2013: R900 000) have been pledged to Magalies Water for a deposit. The Investment is renewable annually.

Investments totalling R2 705 000 (2013: R2 318 028) were ceded to the DBSA. These investments serve as security for the long terms loans.

NTK is unlisted share investment for the following shares as at 30 June 2014:

Class 1 Normal shares 5000 @ R1 per share  
 Class 2 Preferential shares 28 156 @ R1 per share  
 Class 3 Preferential shares 77 919 @ R1 per share

| NTK Shares 2014        | Class 1 Normal Shares | Class 2 Preferential Shares | Class 3 Preferential Shares | Security Investments | Total          |
|------------------------|-----------------------|-----------------------------|-----------------------------|----------------------|----------------|
| Opening Balance        | 5 000                 | 8 285                       | -                           | 2 516                | 15 801         |
| Fair Value adjustments | -                     | 19 871                      | 77 919                      | 131                  | 97 921         |
|                        | <b>5 000</b>          | <b>28 156</b>               | <b>77 919</b>               | <b>2 647</b>         | <b>113 722</b> |
| NTK Shares 2013        | Class 1 Normal Shares | Class 2 Preferential Shares | Class 3 Preferential Shares | Security Investments | Total          |
| Opening Balance        | 4 000                 | -                           | -                           | -                    | 4 000          |
| Correction of error    | 1 000                 | 8 285                       | -                           | 2 516                | 11 801         |
|                        | <b>5 000</b>          | <b>8 285</b>                | <b>-</b>                    | <b>2 516</b>         | <b>15 801</b>  |

## 9. Current receivables

|                       |         |         |
|-----------------------|---------|---------|
| Deposit - Electricity | 316 094 | 299 416 |
|-----------------------|---------|---------|

The deposit is held by Eskom for bulk services rendered to the municipality.

## 10. Inventories

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Consumable stores                 | 5 379 159        | 5 052 134        |
| Water                             | 87 548           | 126 852          |
| Unsold Properties Held for Resale | 919 000          | 919 000          |
|                                   | <b>6 385 707</b> | <b>6 097 986</b> |

## Stores

There is only one centralize store within the municipality. The store consits mainly of maintenance items for the Water, Sanitation and Electricity departments as well as stationary and protective clothing for the municipality.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand                                   | 2014              | 2013                |                   |
|---|-------------------|---------------------|-------------------|
| <b>11. Receivables from exchange transactions</b> |                   |                     |                   |
| Trade debtors                                     | 93 690 969        | 78 858 587          |                   |
| Provision for doubtful debts                      | (27 371 247)      | (24 401 712)        |                   |
| Other receivables                                 | 5 120 096         | 4 662 632           |                   |
| Other receivables - new connections               | 257 349           | 567 970             |                   |
|   | <b>71 697 167</b> | <b>59 687 477</b>   |                   |
| <b>30 June 2014</b>                               |                   |                     |                   |
|   | Gross             | Provision           | Total             |
| <b>Trade receivables</b>                          |                   |                     |                   |
| Electricity                                       | 15 388 450        | (3 038 047)         | 12 350 403        |
| Water   | 29 489 608        | (10 150 426)        | 19 339 182        |
| Sewerage  | 8 133 415         | -                   | 8 133 415         |
| Refuse  | 6 392 640         | (2 232 455)         | 4 160 185         |
| VAT   | 14 891 658        | (5 079 337)         | 9 812 321         |
| Other   | 19 395 198        | (6 870 983)         | 12 524 215        |
| Subtotal  | 93 690 969        | (27 371 248)        | 66 319 721        |
| <b>Other receivables</b>                          |                   |                     |                   |
| Other receivables                                 | 5 377 445         | -                   | 5 377 445         |
|   | <b>99 068 414</b> | <b>(27 371 248)</b> | <b>71 697 166</b> |
| <b>30 June 2013</b>                               |                   |                     |                   |
|   |                   |                     |                   |
| <b>Trade receivables</b>                          |                   |                     |                   |
| Electricity                                       | 11 491 970        | (3 744 578)         | 7 747 392         |
| Water   | 26 866 743        | (9 259 052)         | 17 607 691        |
| Sewerage  | 5 920 735         | -                   | 5 920 735         |
| Refuse  | 5 918 367         | (2 039 045)         | 3 879 322         |
| VAT   | 8 702 931         | (2 711 388)         | 5 991 543         |
| Other   | 19 957 841        | (6 647 649)         | 13 310 192        |
| Subtotal  | 78 858 587        | (24 401 712)        | 54 456 875        |
| <b>Other receivables</b>                          |                   |                     |                   |
| Other receivables                                 | 5 230 602         | -                   | 5 230 602         |
|   | <b>84 089 189</b> | <b>(24 401 712)</b> | <b>59 687 477</b> |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

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### 11. Receivables from exchange transactions (continued)

#### Trade and other receivables past due

| 2014 Gross Ageing per Group | Business          | Farms         | Government       | Household         | Industrial       |
|-----------------------------|-------------------|---------------|------------------|-------------------|------------------|
| Current                     | 5 256 654         | 5 314         | 746 876          | 4 777 485         | 615 694          |
| 31 - 60 days                | 1 019 392         | 3 780         | 294 677          | 2 830 272         | 565 870          |
| 61 - 90 days                | 557 246           | 3 374         | 296 153          | 3 361 938         | 760 207          |
| 91 - 120 days               | 430 160           | 2 805         | 239 683          | 2 257 737         | 317 017          |
| 120 + days                  | 13 377 192        | 82 437        | 2 939 925        | 48 045 288        | 1 688 896        |
|                             | <b>20 640 644</b> | <b>97 710</b> | <b>4 517 314</b> | <b>61 272 720</b> | <b>3 947 684</b> |

#### 2014 Gross Ageing per Group

|               | Others           | Sundry Accounts |
|---------------|------------------|-----------------|
| Current       | 542 932          | 12 019          |
| 31 - 60 days  | 190 973          | 11 644          |
| 61 - 90 days  | 157 083          | 6 540           |
| 91 - 120 days | 93 638           | 181 010         |
| 121 + days    | 1 919 468        | 99 590          |
|               | <b>2 904 094</b> | <b>310 803</b>  |

| 30 June 2014  | Electricity       | Water             | Sewerage         | Refuse           | VAT              | Other             |
|---------------|-------------------|-------------------|------------------|------------------|------------------|-------------------|
| Current       | 4 882 773         | 1 530 802         | 759 522          | 299 345          | 902 054          | 611 972           |
| 31 - 60 days  | 1 249 120         | 831 456           | 408 893          | 155 562          | 374 524          | 565 646           |
| 61 - 90 days  | 926 480           | 1 229 433         | 503 742          | 138 933          | 368 578          | 540 339           |
| 91 - 120 days | 458 678           | 622 221           | 378 442          | 129 278          | 240 810          | 683 905           |
| 121+ days     | 4 833 353         | 15 125 270        | 6 082 816        | 3 437 067        | 7 926 355        | 10 119 798        |
|               | <b>12 350 404</b> | <b>19 339 182</b> | <b>8 133 415</b> | <b>4 160 185</b> | <b>9 812 321</b> | <b>12 521 660</b> |

| 30 June 2013   | Electricity      | Water             | Sewerage         | Refuse           | VAT              | Other             |
|----------------|------------------|-------------------|------------------|------------------|------------------|-------------------|
| Current        | 2 214 496        | 1 093 533         | 614 529          | 262 978          | 600 614          | 337 703           |
| 31 - 60 days   | 939 203          | 690 041           | 244 388          | 116 444          | 313 546          | 479 268           |
| 61 - 90 days   | 649 434          | 742 733           | 206 366          | 97 681           | 286 915          | 454 067           |
| 91 - 120 days  | 390 586          | 576 725           | 193 093          | 93 860           | 214 449          | 441 009           |
| 121 - 365 days | 3 553 673        | 14 504 659        | 4 662 359        | 3 308 359        | 4 576 018        | 11 598 145        |
|                | <b>7 747 392</b> | <b>17 607 691</b> | <b>5 920 735</b> | <b>3 879 322</b> | <b>5 991 542</b> | <b>13 310 192</b> |

#### Reconciliation of provision for impairment of trade and other receivables

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Opening balance                      | 24 401 712        | 23 229 062        |
| Provision for impairment             | 13 019 536        | 1 163 513         |
| Amounts written off as uncollectible | (10 050 001)      | -                 |
| Other                                | -                 | 9 137             |
|                                      | <b>27 371 247</b> | <b>24 401 712</b> |

### 12. Receivables from non-exchange transactions

|   |                   |                   |
|---|-------------------|-------------------|
| Rates                                       | 19 317 954        | 13 710 479        |
| Other receivables from non-exchange revenue | 4 861 813         | 860 942           |
|   | <b>24 179 767</b> | <b>14 571 421</b> |



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

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### 12. Receivables from non-exchange transactions (continued)

#### Receivables from non-exchange transactions

The ageing of amounts past due but not impaired is as follows:

|               |            |            |
|---------------|------------|------------|
| Current       | 2 267 549  | 1 444 708  |
| 31 - 60 days  | 1 090 700  | 622 548    |
| 61 - 90 days  | 986 551    | 571 864    |
| 91 - 120 days | 891 400    | 535 353    |
| 121 + days    | 14 081 754 | 10 536 006 |

| Ageing per Group | Current          | 31 - 60 days     | 61 - 90 days   | 91 - 120 days  | 121 + days        |
|------------------|------------------|------------------|----------------|----------------|-------------------|
| Business         | 633 114          | 221 216          | 204 935        | 201 401        | 2 208 585         |
| Farms            | 33 988           | 26 546           | 24 221         | 21 493         | 244 414           |
| Government       | 142 900          | 136 623          | 135 535        | 83 922         | 1 330 602         |
| Household        | 1 046 284        | 569 591          | 500 825        | 469 979        | 8 922 128         |
| Industrial       | 173 378          | 102 438          | 91 179         | 87 675         | 959 770           |
| Others           | 237 865          | 34 266           | 29 835         | 26 930         | 416 256           |
| Sundry Accounts  | 20               | 20               | 21             | -              | -                 |
|                  | <u>2 267 549</u> | <u>1 090 700</u> | <u>986 551</u> | <u>891 400</u> | <u>14 081 755</u> |

#### Receivables from non-exchange transactions impaired

As of 30 June 2014, other receivables from non-exchange transactions for Traffic Fines of R63 700 (2013: -) were impaired and provided for.

The amount of the provision was R63 700 as of 30 June 2014 (2013: -).

| Reconciliation of Fines | Gross         | Provision       | Total    |
|-------------------------|---------------|-----------------|----------|
| Traffic Fines           | <u>63 700</u> | <u>(63 700)</u> | <u>-</u> |

#### Reconciliation of provision for impairment of Fines:

|                          |               |          |
|--------------------------|---------------|----------|
| Provision for Impairment | <u>63 700</u> | <u>-</u> |
|--------------------------|---------------|----------|

### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

|               |                   |                   |
|---------------|-------------------|-------------------|
| Cash on hand  | 2 800             | 2 800             |
| Bank balances | 6 918 215         | 25 287 332        |
| Call deposits | 27 847 762        | 30 829 670        |
|               | <u>34 768 777</u> | <u>56 119 802</u> |

Included in the 2013 Cashbook balances of R25 287 332 was a cashbook amount of R4 142 073 that relates to the previous primary bank account of the municipality that was closed on the 2 July 2012. The Cashbook balance has been move to other debtors. Council resolved in July 2014 to write-off the amount.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand 2014 2013

### 13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

| Account number / description  | Bank statement balances |                   |                   | Cash book balances |                   |                   |
|---|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
|   | 30 June 2014            | 30 June 2013      | 30 June 2012      | 30 June 2014       | 30 June 2013      | 30 June 2012      |
| Standard Bank Limited<br>(Modimolle) - Current account<br>330506137 | 12 546 548              | 26 165 274        | 47 186 866        | 6 792 665          | 21 145 259        | 47 060 003        |
| First National Bank (Modimolle)<br>Current Account Number           | -                       | -                 | 107 372           | -                  | 4 142 073         | 4 143 433         |
| <b>Total</b>  | <b>12 546 548</b>       | <b>26 165 274</b> | <b>47 294 238</b> | <b>6 792 665</b>   | <b>25 287 332</b> | <b>51 203 436</b> |

### 14. Other financial liabilities

#### At amortised cost

|  |         |           |
|--|---------|-----------|
| Development Bank of Southern Africa<br>Account number 11191. Redemption date 31 March 2014. Interest rate 16.5%.<br>Payment terms 6 monthly.                   | -       | 140 649   |
| Development Bank of Southern Africa<br>Account number 10467. Redemption date: 30 September 2017. Interest rate<br>12%. Payment terms 6 monthly.                | 893 401 | 1 088 489 |
| Development Bank of Southern Africa<br>Account number 13537. Redemption date: 31 March 2020. Interest rate 3<br>month Jibar + Margin. Payment terms 3 Monthly. | 849 392 | 997 113   |

**1 742 793**

**2 226 251**

#### Total other financial liabilities

**1 742 793**

**2 226 251**

#### Non-current liabilities

|                   |           |           |
|-------------------|-----------|-----------|
| At amortised cost | 1 375 707 | 1 742 629 |
|-------------------|-----------|-----------|

#### Current liabilities

|                   |         |         |
|-------------------|---------|---------|
| At amortised cost | 367 086 | 483 622 |
|-------------------|---------|---------|

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand   | 2014                  | 2013                    |
|---|-----------------------|-------------------------|
| <b>15. Finance lease obligation</b>                               |                       |                         |
| <b>Minimum lease payments due</b>                                 |                       |                         |
| - within one year   | 1 584 463             | 1 813 698               |
| - in second to fifth year inclusive                               | 133 046               | 3 331 593               |
|   | <u>1 717 509</u>      | <u>5 145 291</u>        |
| less: future finance charges                                      | (725 832)             | (690 979)               |
| <b>Present value of minimum lease payments</b>                    | <u><b>991 677</b></u> | <u><b>4 454 312</b></u> |
| <b>Present value of minimum lease payments due</b>                |                       |                         |
| - within one year   | 853 939               | 1 178 946               |
| - in second to fifth year inclusive                               | 137 738               | 2 741 173               |
|   | <u><b>991 677</b></u> | <u><b>3 920 119</b></u> |
| Non-current liabilities   | 133 046               | 3 275 367               |
| Current liabilities   | 858 631               | 1 178 946               |
|   | <u><b>991 677</b></u> | <u><b>4 454 313</b></u> |
| Finance cost recognised in the Statement of Financial Performance | 169 562               | 516 752                 |

The average lease term is 3 years and the effective borrowing rate is 9%. Interest rates are fixed at the contract date. No arrangements have been entered into for the contingent rent. Obligations under finance leases are secured by the lessors title to the leased asset.

## 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

|  |                          |                          |
|--|--------------------------|--------------------------|
| <b>Unspent conditional grants and receipts</b> |                          |                          |
| Municipal Infrastructure Grant                 | 23 298 789               | 16 664 727               |
| Department of Energy                           | 168 933                  | 7 216 531                |
|  | <u><b>23 467 722</b></u> | <u><b>23 881 258</b></u> |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|-----------------|------|------|
|-----------------|------|------|

### 17. Provisions

#### Reconciliation of provisions - 2014

|                              | Opening Balance  | Change in discount factor | Total             |
|------------------------------|------------------|---------------------------|-------------------|
| Environmental rehabilitation | 5 691 728        | 13 821 026                | 19 512 754        |
| Long-service award           | 2 333 903        | 914 003                   | 3 247 906         |
|                              | <b>8 025 631</b> | <b>14 735 029</b>         | <b>22 760 660</b> |

#### Reconciliation of provisions - 2013

|                              | Opening Balance  | Change in discount factor | Total            |
|------------------------------|------------------|---------------------------|------------------|
| Environmental rehabilitation | 4 436 777        | 1 254 951                 | 5 691 728        |
| Long-service award           | 2 038 171        | 295 732                   | 2 333 903        |
|                              | <b>6 474 948</b> | <b>1 550 683</b>          | <b>8 025 631</b> |
| Non-current liabilities      |                  | 22 503 982                | 7 726 487        |
| Current liabilities          |                  | 256 678                   | 299 144          |
|                              |                  | <b>22 760 660</b>         | <b>8 025 631</b> |

#### Environmental rehabilitation provision

The provision for the rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation.

| 30 June 2014          | Modimolle | Mabatlane |
|-----------------------|-----------|-----------|
| Discount rate         | 7%        | 7%        |
| Escalation rate       | 7%        | 7%        |
| Useful life           | 24 years  | 24 years  |
| Remaining useful life | 2 years   | 1 years   |
| Restoration area      | 6300 sqm  | 5396 sqm  |

| 30 June 2013          | Modimolle | Mabatlane |
|-----------------------|-----------|-----------|
| Discount rate         | 10%       | 10%       |
| Escalation rate       | 6%        | 6%        |
| Useful life           | 24 years  | 24 years  |
| Remaining useful life | 3 years   | 3 years   |
| Restoration area      | 6300 sqm  | 5396 sqm  |

#### Long-service award

A long service award is granted to municipal employees for every five (5) years of service completed from ten (10) years of service to forty five (45) years of service inclusive. Employees are also entitled to receive a gold watch on the completion of twenty five (25) years of service and estimated value of the gold watch is R3500.00

The provision represents an estimate of the awards to which employees in the service of the municipality at 30 June 2013 may become entitled to in future, based on actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2014 by a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the Municipality.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand   | 2014              | 2013              |
|---|-------------------|-------------------|
| <b>17. Provisions (continued)</b>   |                   |                   |
| The long-service award plans are defined benefit plans. As at year-end 343 employees were eligible for long-service awards.   |                   |                   |
| The Long-Service award actuarial valuation was independently performed by ARCH Actuarial Consultants. The report was prepared by Chanan Weiss BSc FFA. Chanan Weiss is a Fellow of the Actuarial Society of South Africa. |                   |                   |
| <b>The history of Liabilities, Assets and Experience Adjustment</b>   | <b>2014</b>       | <b>2013</b>       |
| Present value of defined benefit obligation   | 3 247 906         | 2 333 903         |
| <b>History of Experience Adjustments: Gains and Losses</b>  |                   | <b>2014</b>       |
| Liabilities: (Gain)/Loss  |                   | 880 224           |
| <b>The Principal assumptions used for the purposes of the actuarial valuations were as follows:</b>   | <b>2014</b>       | <b>2013</b>       |
| Discount Rate   | 7.99 %            | 7.27 %            |
| Expected rate of salary increase  | 7.16 %            | 6.81 %            |
| Net effective discount rate   | 0.78 %            | 0.43 %            |
| <b>The amounts recognised in the Statement of Financial Position are as follows:</b>  | <b>2014</b>       | <b>2013</b>       |
| Present value of Fund obligations   | 3 247 906         | 2 333 903         |
| <b>The amount recognised in the Statement of Financial Performance are as follows:</b>  | <b>2014</b>       | <b>2013</b>       |
| Current service cost  | 261 221           | 324 938           |
| Interest cost   | 159 049           | 122 991           |
| Actuarial loss  | 792 877           | 153 990           |
| Expected employee benefit vesting   | (299 144)         | (306 187)         |
|   | <b>914 003</b>    | <b>295 732</b>    |
| <b>Reconciliation of the present value of defined benefit obligation to fair value of liability:</b>  | <b>2014</b>       | <b>2013</b>       |
| Balance at the beginning of year  | 2 333 903         | 2 038 171         |
| Current-service Cost  | 261 221           | 324 938           |
| Interest Cost   | 159 049           | 122 991           |
| Expected employee benefit vesting   | (299 144)         | (306 187)         |
| Actuarial Loss  | 792 877           | 153 990           |
|   | <b>3 247 906</b>  | <b>2 333 903</b>  |
| <b>18. Payables from exchange transactions</b>  |                   |                   |
| Trade payables  | 4 157 845         | 3 757 979         |
| Payments received in advanced   | 3 854 532         | 6 748 702         |
| Retentions  | 3 505 328         | 3 205 027         |
| Other creditors   | 14 214 342        | 10 913 677        |
| Accrued leave pay   | 10 683 685        | 6 916 371         |
|   | <b>36 415 732</b> | <b>31 541 756</b> |
| <b>The movement in the leave pay accrual can be reconciled as follows:</b>  |                   |                   |
| Opening balance   | 6 916 371         | 5 947 423         |
| Contributions to provisions   | 118 684           | 1 326 288         |
| Expenditure incurred  | (390 249)         | (357 340)         |
|   | <b>6 644 806</b>  | <b>6 916 371</b>  |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand  | 2014               | 2013               |
|--|--------------------|--------------------|
| <b>19. VAT payable</b>   |                    |                    |
| VAT payable  | 25 871 661         | 21 136 174         |
| VAT is payable on the receipts basis. VAT is paid over to SARS only once the payment is recieved from debtors. |                    |                    |
| <b>20. Consumer deposits</b>   |                    |                    |
| Electricity and water  | 3 668 359          | 3 026 762          |
| No interest is paid on the consumer deposits.  |                    |                    |
| <b>21. Revenue</b>   |                    |                    |
| Service charges  | 122 769 235        | 109 066 284        |
| Rental of facilities and equipment   | 558 025            | 173 310            |
| Interest received (trading)  | 9 691 873          | 7 458 819          |
| Income from agency services  | 2 421 498          | 3 906 671          |
| Fair Value of Shares   | 97 921             | 11 801             |
| Other income - (rollup)  | 7 538 292          | 5 427 244          |
| Interest received - investment   | 2 712 028          | 2 528 264          |
| Property rates   | 27 774 000         | 19 426 513         |
| Government grants & subsidies  | 105 807 536        | 100 064 587        |
| Fines  | 102 800            | 95 774             |
|  | <b>279 473 208</b> | <b>248 159 267</b> |
| <b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>              |                    |                    |
| Service charges  | 122 769 235        | 109 066 284        |
| Rental of facilities and equipment   | 558 025            | 173 310            |
| Interest received (trading)  | 9 691 873          | 7 458 819          |
| Income from agency services  | 2 421 498          | 3 906 671          |
| Fair Value of Shares   | 97 921             | 11 801             |
| Other income - (rollup)  | 7 538 292          | 5 427 244          |
| Interest received - investment   | 2 712 028          | 2 528 264          |
|  | <b>145 788 872</b> | <b>128 572 393</b> |
| <b>The amount included in revenue arising from non-exchange transactions is as follows:</b>                    |                    |                    |
| <b>Taxation revenue</b>  |                    |                    |
| Property rates   | 27 774 000         | 19 426 513         |
| <b>Transfer revenue</b>  |                    |                    |
| Government grants & subsidies  | 105 807 536        | 100 064 587        |
| Fines  | 102 800            | 95 774             |
|  | <b>133 684 336</b> | <b>119 586 874</b> |

## Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|-----------------|------|------|
|-----------------|------|------|

#### 22. Property rates

##### Rates received

|                          |                   |                   |
|--------------------------|-------------------|-------------------|
| Residential              | 11 269 037        | 8 991 000         |
| Commercial               | 12 940 613        | 7 641 815         |
| State                    | 1 179 093         | 789 426           |
| Small holdings and farms | 2 377 465         | 1 995 978         |
| Church                   | 7 792             | 8 294             |
|                          | <u>27 774 000</u> | <u>19 426 513</u> |

##### Valuations

|              |                       |                       |
|--------------|-----------------------|-----------------------|
| Residential  | 34 796 747 740        | 29 858 299 670        |
| Commercial   | 5 995 823 757         | 4 457 162 117         |
| State        | 737 194 000           | 574 824 000           |
| Church       | 24 420 000            | 23 760 000            |
| Agricultural | 34 015 718 552        | 33 833 309 508        |
|              | <u>75 569 904 049</u> | <u>68 747 355 295</u> |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

#### 23. Service charges

|                                 |                    |                    |
|---------------------------------|--------------------|--------------------|
| Sale of electricity             | 78 216 863         | 70 473 907         |
| Sale of water                   | 27 616 138         | 24 857 547         |
| Refuse removal                  | 6 256 184          | 5 383 539          |
| Sewerage and sanitation charges | 10 680 050         | 8 351 291          |
|                                 | <u>122 769 235</u> | <u>109 066 284</u> |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand  | 2014               | 2013               |
|--|--------------------|--------------------|
| <b>24. Government grants and subsidies</b>   |                    |                    |
| <b>Operating grants</b>  |                    |                    |
| Equitable share  | 57 283 000         | 56 393 001         |
| Financial Management Grant   | 1 497 228          | 1 500 000          |
| Municipal Systems Improvement Grant  | 890 000            | 800 000            |
| Municipal Infrastructure Grant   | 1 561 920          | 1 322 937          |
| Waterberg District Municipality  | -                  | 1 500 000          |
| Extended Public Works Programme  | 1 000 000          | 912 000            |
|  | <u>62 232 148</u>  | <u>62 427 938</u>  |
| <b>Capital grants</b>  |                    |                    |
| Financial Management Grant   | 52 772             | -                  |
| Municipal Infrastructure Grant   | 29 175 018         | 33 830 645         |
| Department of Energy Grants  | 14 347 598         | 3 806 004          |
|  | <u>43 575 388</u>  | <u>37 636 649</u>  |
|  | <u>105 807 536</u> | <u>100 064 587</u> |
| <b>Equitable Share</b>   |                    |                    |
| In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. |                    |                    |
| All registered indigents receive a monthly subsidy which is funded from the grant.   |                    |                    |
| <b>Financial Management Grant</b>  |                    |                    |
| Current-year receipts  | 1 550 000          | 1 500 000          |
| Conditions met - transferred to revenue  | (1 550 000)        | (1 500 000)        |
|  | <u>-</u>           | <u>-</u>           |
| Conditions still to be met - remain liabilities (see note 16).   |                    |                    |
| <b>Municipal Systems Improvement Grant</b>   |                    |                    |
| Balance unspent at beginning of year   | -                  | 103 000            |
| Current-year receipts  | 890 000            | 800 000            |
| Conditions met - transferred to revenue  | (890 000)          | (800 000)          |
| Other  | -                  | (103 000)          |
|  | <u>-</u>           | <u>-</u>           |
| Conditions still to be met - remain liabilities (see note 16).   |                    |                    |
| <b>Municipal Infrastructure Grant</b>  |                    |                    |
| Balance unspent at beginning of year   | 16 664 727         | 14 501 310         |
| Current-year receipts  | 37 371 000         | 41 434 000         |
| Conditions met - transferred to revenue  | (30 736 938)       | (35 153 583)       |
| Other  | -                  | (4 117 000)        |
|  | <u>23 298 789</u>  | <u>16 664 727</u>  |
| Conditions still to be met - remain liabilities (see note 16).   |                    |                    |
| <b>Department of Energy</b>  |                    |                    |
| Balance unspent at beginning of year   | 7 216 531          | 22 535             |
| Current-year receipts  | 7 300 000          | 11 000 000         |
| Conditions met - transferred to revenue  | (14 347 598)       | (3 811 269)        |



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|-----------------|------|------|
|-----------------|------|------|

### 24. Government grants and subsidies (continued)

|                                  |                |                  |
|----------------------------------|----------------|------------------|
| Correction of prior period error | -              | 5 265            |
|                                  | <u>168 933</u> | <u>7 216 531</u> |

Conditions still to be met - remain liabilities (see note 16).

### Waterberg District Municipality

|   |          |             |
|---|----------|-------------|
| Current-year receipts                   | -        | 1 500 000   |
| Conditions met - transferred to revenue | -        | (1 500 000) |
|   | <u>-</u> | <u>-</u>    |

Conditions still to be met - remain liabilities (see note 16).

### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act no 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 25. Other income

|  |                  |                  |
|--|------------------|------------------|
| Fire Brigade                                 | 1 820 549        | 1 605 823        |
| Photo Copies                                 | 379              | 4 038            |
| Cemetery Fees                                | 180 976          | 225 416          |
| Continuous Members Medical Aid Contributions | 194 541          | -                |
| Connection and Reconnection Fees             | 3 012 438        | 2 265 722        |
| Sundry Income                                | 278 432          | 694 343          |
| Building Fees                                | 120 477          | 98 877           |
| Repayments LGSETA                            | 105 610          | 46 168           |
| Hawkers Permits                              | 647              | 5 043            |
| Sub Division Applications                    | 35 827           | 105 273          |
| Membership Fees                              | 17 213           | 21 824           |
| Clearance and Valuation Certificate          | 170 554          | 154 918          |
| Bulk Contributions                           | 1 462 312        | 56 018           |
| Placard Deposit                              | -                | 5 820            |
| Surplus Cash                                 | 308              | 541              |
| Telephone                                    | -                | 8 218            |
| Tender Documents                             | 84 887           | 112 800          |
| Advertising Boards                           | 38 142           | 2 719            |
| Sale of Erven                                | 15 000           | 13 683           |
|  | <u>7 538 292</u> | <u>5 427 244</u> |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand                   | 2014              | 2013              |
|-----------------------------------|-------------------|-------------------|
| <b>26. General expenses</b>       |                   |                   |
| Advertising                       | 468 577           | 365 610           |
| Auditors Fees                     | 2 953 861         | 2 319 855         |
| Bank charges                      | 623 912           | 274 250           |
| Cleaning                          | 109 372           | 94 315            |
| Commission paid                   | 897 146           | 906 474           |
| Consulting and professional fees  | 4 119 075         | 3 248 328         |
| Consumables                       | -                 | 1 660             |
| Entertainment                     | 128 207           | 111 741           |
| Insurance                         | 769 178           | 521 936           |
| Conferences and seminars          | 172 200           | 141 796           |
| IT expenses                       | 335 299           | 79 083            |
| Lease rentals on operating lease  | 15 042            | -                 |
| Marketing                         | 148 664           | 246 033           |
| Publications                      | 124 091           | 112 198           |
| Motor vehicle expenses            | 3 794 315         | 2 730 790         |
| Postage and courier               | 1 760             | 4 009             |
| Printing and stationery           | 1 761 975         | 620 754           |
| Promotions                        | 66 977            | 67 107            |
| Protective clothing               | 301 483           | 381 961           |
| Subscriptions and membership fees | 843 018           | 562 291           |
| Telephone and fax                 | 1 927 974         | 1 806 630         |
| Transport and freight             | 100 276           | 326 063           |
| Training                          | 484 389           | 599 243           |
| Travel - local                    | 1 907 127         | 1 662 591         |
| Refuse Bags                       | 65 567            | 48 558            |
| Other expenses                    | 2 669 013         | 1 772 917         |
| Job Evaluation                    | -                 | 38 000            |
| Council committee                 | 1 097 220         | 1 090 401         |
| Funeral assistance                | 52 500            | 37 300            |
| Special Projects                  | 590 509           | 680 533           |
| Chemicals                         | 1 391 816         | 1 087 233         |
| Upgrade of Eskom Substation       | -                 | 8 768 573         |
| Municipal Strategy                | 286 185           | 178 201           |
| Disaster Management               | 61 313            | 23 341            |
| Bursaries                         | 240 906           | 295 499           |
| EAP Referrals                     | 28 678            | 6 366             |
| Long Service Awards               | 38 682            | 220 445           |
| Material and Stock                | 157               | 45 850            |
| Occupational Health and Safety    | 43 710            | 37 119            |
| Municipal Programs                | 298 697           | 268 732           |
| Performance Management            | 320 829           | 484 288           |
| Programming                       | 1 576 114         | 1 715 596         |
| Master Plan                       | 778 294           | 139 973           |
| SMME and Co-Op Development        | 28 000            | 72 954            |
| Seeds and Plants                  | 3 140             | -                 |
| Street Signs                      | -                 | 20 000            |
| Test Water Samples                | 272 237           | 341 182           |
| Valuation Cost                    | 372 357           | 326 700           |
| Youth Volunteer ID                | 54 093            | 41 890            |
| Public Participation              | 1 200 978         | 453 000           |
| Vehicle Rental                    | 1 418 745         | 1 967 138         |
|                                   | <b>34 943 658</b> | <b>37 346 507</b> |

## Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

| Figures in Rand   | 2014              | 2013              |
|---|-------------------|-------------------|
| <b>27. Employee related costs</b>   |                   |                   |
| Employee related costs - Salaries and Wages                               | 60 079 954        | 46 529 436        |
| Other Employee Related Costs  | 8 845 353         | 2 861 155         |
| Employee related costs - Contributions for UIF, Pensions and Medical Aids | 14 040 187        | 11 055 415        |
| Travel, motor car, accommodation, subsistence and other allowances        | 3 312 498         | 3 229 353         |
| Overtime payments   | 5 359 676         | 3 186 905         |
| Housing benefits and allowances   | 937 096           | 943 032           |
| Cell Phone Allowance  | 8 018             | -                 |
|   | <b>92 582 782</b> | <b>67 805 296</b> |
| <b>Remuneration of municipal manager</b>                                  |                   |                   |
| Annual Remuneration   | 403 879           | -                 |
| Car Allowance   | 50 000            | -                 |
| Contributions to UIF, Medical and Pension Funds                           | 93 743            | -                 |
|   | <b>547 622</b>    | <b>-</b>          |
| The Municipal Manager was appointed from 1 January 2014.                  |                   |                   |
| <b>Remuneration of chief finance officer</b>                              |                   |                   |
| Annual Remuneration   | 760 202           | 687 972           |
| Car Allowance   | 101 597           | 90 000            |
| Contributions to UIF, Medical and Pension Funds                           | 162 827           | 160 558           |
|   | <b>1 024 626</b>  | <b>938 530</b>    |
| <b>Manager Corporate Services</b>   |                   |                   |
| Annual Remuneration   | 518 598           | 447 697           |
| Car Allowance   | 151 445           | 145 658           |
| Contributions to UIF, Medical and Pension Funds                           | 155 003           | 136 270           |
|   | <b>825 046</b>    | <b>729 625</b>    |
| <b>Manager Social Services</b>  |                   |                   |
| The position is currently vacant.   |                   |                   |
| <b>Manager Technical Services</b>   |                   |                   |
| Annual Remuneration   | 520 525           | 422 787           |
| Car Allowance   | 162 190           | 143 671           |
| Performance Bonuses   | 122 826           | 120 482           |
|   | <b>805 541</b>    | <b>686 940</b>    |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand                                  | 2014             | 2013             |
|--|------------------|------------------|
| <b>28. Remuneration of councillors</b>           |                  |                  |
| Cllr Lekalakala (Mayor)                          | 708 439          | 643 518          |
| Cllr Kekana (Exco Member)                        | 545 792          | 493 852          |
| Cllr Fereira (Exco Member)                       | 290 098          | 190 429          |
| Cllr Sebolai (Speaker)                           | 570 594          | 519 304          |
| Cllr Mashitsho (Chief Whip)                      | 546 940          | 485 085          |
| Cllr Botes (Chairperson: Budget and Treasury)    | 294 047          | 208 507          |
| Cllr Nel   | 229 693          | 190 439          |
| Cllr Mashaba (Chairperson: MPAC)                 | 305 579          | 360 412          |
| Cllr Nyama                                       | 229 693          | 190 439          |
| Cllr Khanya                                      | 227 824          | 191 602          |
| Cllr Mojela (Chairperson: Technical Services)    | 291 032          | 208 507          |
| Cllr Marutha (Chairperson: Social Services)      | 291 032          | 208 507          |
| Cllr Ledwaba                                     | 236 056          | 202 227          |
| Cllr Moropene                                    | 229 693          | 190 439          |
| Cllr Sebelebele                                  | 229 693          | 190 439          |
| Cllr Motshegoa (Chairperson: Planning)           | 286 840          | 183 763          |
| Cllr Olifant (Chairperson: Corporate Portfolio)  | 286 371          | 204 364          |
| Cllr Laubscher                                   | 135 075          | -                |
| Cllr van Aswegen (Exco member: July'14 - Aug'14) | 45 996           | 402 153          |
|  | <b>5 980 487</b> | <b>5 263 986</b> |

### In-kind benefits

The Mayor, Speaker, Chief Whip and one Executive Committee Member are full-time. The Mayor, Speaker and Chief Whip is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties.

### 29. Investment earned - external investments

|                         |                  |                  |
|-------------------------|------------------|------------------|
| <b>Interest revenue</b> |                  |                  |
| Bank                    | 2 695 350        | 2 510 366        |
| Eskom deposit           | 16 678           | 17 898           |
|                         | <b>2 712 028</b> | <b>2 528 264</b> |

### 30. Depreciation and amortisation

|                               |            |            |
|-------------------------------|------------|------------|
| Property, plant and equipment | 42 083 746 | 23 419 179 |
|-------------------------------|------------|------------|

### 31. Impairment of assets

#### Impairments

Property, plant and equipment  
Assets were impaired according to specific indicators including: Vandalism, physical damage, discontinued assets and assets that became idle.

|           |   |
|-----------|---|
| 2 400 677 | - |
|-----------|---|

The main classes of assets affected by impairment losses are:

Infrastructure

Buildings

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand  | 2014              | 2013              |
|--|-------------------|-------------------|
| <b>32. Finance costs</b>                               |                   |                   |
| Finance leases   | 200 383           | 450 698           |
| Current borrowings                                     | 215 614           | 268 679           |
| Provisions   | 2 334 637         | 2 063 734         |
|  | <b>2 750 634</b>  | <b>2 783 111</b>  |
| <b>33. Auditors' Fees</b>                              |                   |                   |
| Auditor General Fees                                   | 2 806 237         | 2 245 984         |
| Internal Audit Committee Fees                          | 147 624           | 73 871            |
|  | <b>2 953 861</b>  | <b>2 319 855</b>  |
| <b>34. Rental of facilities and equipment</b>          |                   |                   |
| <b>Premises</b>  |                   |                   |
| Rental of facilities                                   | 558 025           | 173 310           |
| <b>35. Contracted services</b>                         |                   |                   |
| Legal services   | 3 328 725         | 1 282 055         |
| Security services                                      | 6 493 663         | 5 868 014         |
|  | <b>9 822 388</b>  | <b>7 150 069</b>  |
| <b>36. Bulk purchases</b>                              |                   |                   |
| Electricity  | 70 003 760        | 61 465 066        |
| Water  | 7 378 032         | 5 787 132         |
|  | <b>77 381 792</b> | <b>67 252 198</b> |
| <b>37. Cash generated from operations</b>              |                   |                   |
| (Deficit) surplus                                      | (14 997 879)      | 25 156 285        |
| <b>Adjustments for:</b>                                |                   |                   |
| Depreciation and amortisation                          | 42 083 746        | 23 419 179        |
| Gain on sale of assets and liabilities                 | 590 530           | 945 996           |
| Gain on sale of non-current assets and disposal groups | 448 598           | 445 189           |
| Inventory Surplus                                      | -                 | (110 646)         |
| Finance costs - Finance leases                         | 200 383           | 516 752           |
| Impairment deficit                                     | 2 400 677         | -                 |
| Debt impairment  | 13 886 529        | 1 163 513         |
| Movements in retirement benefit assets and liabilities | 5 470 210         | 2 558 020         |
| Movements in provisions                                | 14 735 029        | 1 550 683         |
| Current Service cost                                   | 2 572 925         | 2 572 925         |
| <b>Changes in working capital:</b>                     |                   |                   |
| Inventories  | (287 721)         | 414 180           |
| Receivables from exchange transactions                 | (12 009 690)      | (21 033 092)      |
| Other receivables from non-exchange transactions       | (9 608 346)       | (2 672 215)       |
| Consumer debtors                                       | (13 886 529)      | (1 163 513)       |
| Payables from exchange transactions                    | 4 873 993         | (5 752 403)       |
| VAT  | 4 735 487         | 5 502 396         |
| Unspent conditional grants and receipts                | (413 536)         | 9 254 413         |
| Consumer deposits                                      | 641 597           | 219 593           |
|  | <b>41 436 003</b> | <b>42 987 255</b> |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand  | 2014              | 2013             |
|--|-------------------|------------------|
| <b>38. Contingencies</b>   |                   |                  |
| <b>Pending Legal Cases:</b>  |                   |                  |
| Modimolle vs Chris Cook - Claim for payments of rates and taxes  | -                 | 580 000          |
| <b>Modimolle vs Farmers</b>  |                   |                  |
| JP Kriel vs Modimolle - Claim for payments of rates and taxes  | -                 | 18 188           |
| BD Pienaar vs Modimolle Local Municipality - Claim for payments of rates and taxes   | -                 | 17 655           |
| FW Deyssel vs Modimolle Local Municipality - Claim for Payments of rates and taxes   | -                 | 15 960           |
| Peter West vs Modimolle Local Municipality - Compensation for defective electrical meter   | -                 | 250 000          |
| JM Muenda vs Kgatlapa CC vs Modimolle - Injury sustained by child juring contractual work at Vaalwater. Possible financial loss may be recovered from insurance.   | -                 | 70 000           |
| Johannes Cornelius van Tonder vs Modimolle - Legal claim for damages of a motor vehicle  | -                 | 390 000          |
| KC Joubert vs Modimolle - Labour dispute, no specific amount and awaiting date of hearing  | -                 | 80 000           |
| Vusithemba vs Modimolle - Application of an interdict to stop operation  | -                 | 62 000           |
| Hellen West vs Modimolle - Compensation for defective electrical meter.  | -                 | 60 000           |
| CXMi (AL Energy) (Pty) Ltd vs Modimolle - Claim for loss of profit.  | 32 000 000        | -                |
| P Bezuidenhout vs DS Erasmus & Modimolle - Alleged Rent arrears  | 5 600             | -                |
| WJK Rademeyer vs Modimolle - Alleged damage suffered as result of the Municipal failure to fix the road/potholes   | 8 432             | -                |
| Xylem Water Solutions SA (Pty) Ltd vs Modimolle - Supplied of goods and services not paid  | 1 602 144         | -                |
| JB Pienaar vs Modimolle - Legal Cost   | 22 000            | -                |
| Klub Lekkerus/Libertas vs Modimolle - Refund of erroneous payments   | 45 392            | -                |
| Bakgalaka-Holdings Moretele JV vs Modimolle - Nonpayment of services rendered  | 1 971 008         | -                |
| Telkom SA SOC Ltd vs Modimolle - Alleged Cable Damage  | 564 640           | -                |
| NL Makoko vs Modimolle - Alleged damage suffered as a result of the collusion  | 9 500             | -                |
| M Mamabolo vs JA Edwards & Modimolle - Alleged damage suffered as a result of a motor vehicle collision caused by our employee   | 15 834            | -                |
| Sebata Municipal Services (Pty) Ltd vs Modimolle - Alleged services not rendered and not paid  | 135 494           | -                |
| Lesperance Sebenzani Joint vs Modimolle - Alleged termination of contract without following the prescribed procedure   | 4 654 022         | -                |
| Wage Curve Dispute: Trade Unions vs SALGA - Non implementation of the wage curve agreement. Due to the fact that the municipalities Task results was not published or issued to date the municipality can't quantify the contingent liability. | Unquantifiable    | -                |
|  | <b>41 034 066</b> | <b>1 543 803</b> |

### 39. Prior period errors

The correction of the error(s) results in adjustments as follows:

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand   | 2014 | 2013               |
|---|------|--------------------|
| <b>39. Prior period errors (continued)</b>  |      |                    |
| <b>Statement of financial position</b>  |      |                    |
| <b>Cash and Cash Equivalents</b>  |      |                    |
| Balance as at 30 June 2013 on 2012/13 Financial Statement                                     | -    | 56 119 794         |
| Correction of Accrued Interest captured as Interest received                                  | -    | 8                  |
| <b>Restated Balance of Cash and Cash Equivalents</b>  | -    | <b>56 119 802</b>  |
| <b>Non-Current Investments</b>  |      |                    |
| Balance as at 30 June 2013 on 2012/13 Financial Statement                                     | -    | 2 322 028          |
| Correction on the fair value of NTK Shares not captured                                       | -    | 11 801             |
| <b>Restated Balance of Non-Current Investment</b>   | -    | <b>2 333 829</b>   |
| <b>Unspent conditional grants and receipts</b>  |      |                    |
| Balance as at 30 June 2013 on 2012/13 Financial Statement                                     | -    | 23 875 993         |
| Correction on Grant receipts - Grant not spent according to the Grant conditions              | -    | 5 265              |
| <b>Restated Balance of Unspent conditional grants and receipts</b>                            | -    | <b>23 881 258</b>  |
| <b>Net Assets - Accumulated Surplus</b>   |      |                    |
| Balance as at 30 June 2013 on 2012/13 Financial Statement                                     | -    | 856 008 314        |
| Correction on the fair value of NTK Shares  | -    | 11 801             |
| Correction on the unspent conditional grants and receipts                                     | -    | (5 265)            |
| <b>Restated Balance of Accumulated Surplus</b>  | -    | <b>856 014 850</b> |
| <b>Property, Plant and Equipment</b>  |      |                    |
| Balance as at 30 June 2013 on 2012/13 Financial Statement                                     | -    | 829 114 122        |
| Correction of depreciation write-up for Other Property, Plant and Equipment                   | -    | 34 442             |
| Correction of duplicated assets and newly identified assets                                   | -    | 46 862 878         |
| Correction of duplicated assets and newly identified assets                                   | -    | 129 244            |
| Correction of newly identified Office Equipment   | -    | 18 638             |
| Reclassification of Transactions (Note 40)  | -    | (5 575 251)        |
| Correction of assets with negative depreciation amounts                                       | -    | 148 690            |
| Correction of finance lease assets - Costs  | -    | 49 368             |
| Correction of finance lease assets - Acc Depreciation   | -    | (18 909)           |
| Correction of Creditors - Buildings   | -    | (24 000)           |
| Correction of Retention incorrectly captured  | -    | (27 516)           |
| <b>Restated Balance of Property, Plant and Equipment</b>                                      | -    | <b>870 711 706</b> |
| <b>Payables from exchange transactions</b>  |      |                    |
| Balance as at 30 June 2013 on 2012/13 Financial Statement                                     | -    | 31 346 400         |
| Reclassification of transactions (note 40)  | -    | 567 980            |
| Correction on Creditors that was paid in previous years but were still reflected as not paid. | -    | (324 105)          |
| Correction of Insurance Claims revenue and expenditure from previous years                    | -    | (91 284)           |
| Correction of Creditors payments not recognised as Creditors                                  | -    | 93 265             |
| Correction of Amount received in advance reflecting as Accumulated Surplus                    | -    | 1 014              |
| Correction of Creditors - Assets  | -    | (24 000)           |
| Correction of Retention incorrectly captured  | -    | (27 514)           |
| <b>Restated Balance of Payables from exchange transactions</b>                                | -    | <b>31 541 756</b>  |
| <b>Net Assets - Accumulated Surplus</b>   |      |                    |
| Balance as at 30 June 2013 on 2012/13 Financial Statement                                     | -    | 856 008 314        |
| Correction on the fair value of NTK Shares  | -    | 11 801             |
| Correction on the unspent conditional grants and receipts                                     | -    | (5 265)            |
| Correction on creditors payments that was double accounted in previous years                  | -    | 324 105            |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand  | 2014     | 2013               |
|--|----------|--------------------|
| <b>39. Prior period errors (continued)</b>   |          |                    |
| Correction of Insurance Claims not accounted as Revenue and Expenditure in previous years    | -        | 91 284             |
| Correction of PPE - duplicated assets and newly identified assets                            | -        | 47 026 564         |
| Assets not previously recognised   | -        | 18 638             |
| Correction on Creditors payments not recognised as Creditors                                 | -        | (93 265)           |
| Correction of Amounts received in advance reflecting as Accumulated Surplus                  | -        | (1 014)            |
| Correction on depreciation - Assets with negative amounts                                    | -        | 148 690            |
| Correction of Finance Leased Asset - Cost  | -        | 49 368             |
| Correction of Finance Leased Assets - Acc Depreciation                                       | -        | (18 909)           |
| <b>Restated Balance of Accumulated Surplus</b>   | <b>-</b> | <b>903 560 311</b> |
| <b>Statement of Financial Performance</b>  |          |                    |
| Balance as at 30 June 2013 on 2012/13 Financial Statement                                    | -        | 24 950 054         |
| <b>Revenue</b>   |          |                    |
| Correction on the fair value of NTK Shares not previously recognised                         | -        | 11 801             |
| Correction on the unspent conditional grants and receipts                                    | -        | (5 265)            |
| Correction of Accrued Interest captured as Interest received                                 | -        | 8                  |
| Insurance Payment not recognised as Revenue  | -        | 95 000             |
| Correction on Other Income captured as Amounts Received in Advance                           | -        | 11 045             |
| <b>Expenditure</b>   |          |                    |
| Correction of Repair and Maintenance - Creditors payments double accounted in previous year. | -        | 3 509              |
| Correction of General Expenditure - Creditors payments double accounted in previous year.    | -        | 49 031             |
| Correction of General Expenditure - Payment not recognised as Expenditure                    | -        | (76 608)           |
| Correction of Repair and Maintenance - Amounts allocated to Amounts Received in Advance      | -        | (12 061)           |
| Correction of Depreciation - Assets with negative amounts                                    | -        | 148 690            |
| Correction on Total Expenditure Amount   | -        | (13)               |
| Correction of Depreciation - Finance leased Assets   | -        | 18 908             |
| <b>Restated Balance of Surplus for the year</b>  | <b>-</b> | <b>25 194 099</b>  |
| <b>Cash flow statement</b>   |          |                    |
| <b>Cash flow from operating activities</b>   |          |                    |
| Balance as at 30 June 2013 on 2012/13 Financial Statement                                    | -        | 42 708 782         |
| Correction on accrued interest   | -        | 8                  |
| <b>Restated Balance for Cash flow from operating activities</b>                              | <b>-</b> | <b>42 708 790</b>  |

## 40. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand                            | 2014  | 2013        |
|--|-------|-------------|
| <b>40. Comparative figures (continued)</b> |       |             |
| <b>Statement of financial position</b>     |       |             |
| <b>Assets</b>                              |       |             |
| Non-current receivables                    | -     | (299 416)   |
| Current receivables                        | -     | 299 416     |
| Receivables from exchange transactions     | -     | 567 970     |
| Investment Property                        | -     | 5 575 251   |
| Property, Plant and Equipment              | -     | (5 575 251) |
| <b>Liabilities</b>                         |       |             |
| Non-current Employee benefit obligation    | -     | (528 276)   |
| Current Employee benefit obligation        | -     | 528 276     |
| Non-current Provisions                     | -     | (299 144)   |
| Current Provisions                         | -     | 299 144     |
| Payables from exchange transactions        | -     | (567 970)   |
|  | <hr/> | <hr/>       |
|  | -     | -           |
|  | <hr/> | <hr/>       |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand  | 2014 | 2013        |
|--|------|-------------|
| <b>40. Comparative figures (continued)</b>                         |      |             |
| <b>Non-Current Receivables</b>                                     |      |             |
| Balance as at 30 June 2013 on 2012/13 Financial Statement          | -    | 299 416     |
| Moved due to AG audit finding                                      | -    | (299 416)   |
| <b>Restated Balance of Non-Current Receivables</b>                 | -    | -           |
| <b>Current Receivables</b>   |      |             |
| Moved due to AG audit finding                                      | -    | 299 416     |
| <b>Non-Current Employee benefit obligation</b>                     |      |             |
| Balance as at 30 June 2013 on 2012/13 Financial Statement          | -    | 20 458 439  |
| Current Porting on Long term Liability                             | -    | (528 276)   |
| <b>Restated Balance of Non-Current Employee benefit obligation</b> | -    | 19 930 163  |
| <b>Current Liability Employee benefit obligation</b>               |      |             |
| Current portion on Long term Liability                             | -    | 528 276     |
| <b>Non-Current Liability Provisions</b>                            |      |             |
| Balance as at 30 June 2013 on 2012/13 Financial Statement          | -    | 8 025 631   |
| Current portion on Long term Liability                             | -    | (299 144)   |
| <b>Restated Balance of Non-Current Liability Provisions</b>        | -    | 7 726 487   |
| <b>Current Liability Provision</b>                                 |      |             |
| Current portion on Long term Liability                             | -    | 299 144     |
| <b>Payables from exchange transactions</b>                         |      |             |
| Balance as at 30 June 2013 on 2012/13 Financial Statement          | -    | 31 346 400  |
| Incorrect classification of Other Debtors                          | -    | 567 970     |
| Rounding   | -    | 10          |
| Prior period errors (Note 39)                                      | -    | (321 108)   |
| <b>Restated Balance of Payables from exchange transactions</b>     | -    | 31 593 272  |
| <b>Receivables from exchange transactions</b>                      |      |             |
| Balance as at 30 June 2013 on 2012/13 Financial Statement          | -    | 59 119 507  |
| Incorrect classification of Other Debtors                          | -    | 567 970     |
| <b>Restated Balance of Receivables from exchange transactions</b>  | -    | 59 687 477  |
| <b>Investment Property</b>   |      |             |
| Reclassification of Land to Investment Property                    | -    | 5 575 251   |
| <b>Property, Plant and Equipment</b>                               |      |             |
| Balance as at 30 June 2013 on 2012/2013 Financial Statement        | -    | 829 114 122 |
| Reclassification of Land to Investment Property                    | -    | (5 575 251) |
| Prior Period errors (Note 39)                                      | -    | 47 193 892  |
| <b>Restated Balance of Property, Plant and Equipment</b>           | -    | 870 732 763 |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

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|  |      |      |
|--|------|------|
|  | 2014 | 2013 |
|--|------|------|

### 41. Risk management

#### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| Modimolle Municipality      | 2014 Short-Term Portion | 2014 Long-Term Portion | 2013 Short-Term Portion | 2013 Long-Term Portion |
|-----------------------------|-------------------------|------------------------|-------------------------|------------------------|
| Trade and other payables    | 28 727 541              | -                      | 31 914 380              | -                      |
| Consumer Deposit            | 3 668 359               | -                      | 3 026 762               | -                      |
| Unspent Grants              | 23 467 722              | -                      | 23 881 258              | -                      |
| Borrowings                  | 367 086                 | 1 375 707              | 483 622                 | 1 742 629              |
| Finance leases              | 1 067 198               | 1 704 552              | 1 178 946               | 3 275 367              |
| Employee Benefit Obligation | 647 400                 | 25 281 249             | 528 276                 | 19 930 163             |
| Provisions                  | 256 678                 | 8 682 956              | 299 144                 | 7 726 487              |
|                             | <u>58 201 984</u>       | <u>37 044 464</u>      | <u>61 312 388</u>       | <u>32 674 646</u>      |

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- \* Call Deposits
- \* Notice Deposits
- \* Development Bank of South Africa loans

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|-----------------|------|------|
|-----------------|------|------|

### 41. Risk management (continued)

#### Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge a obligation and cause the Municipality to incur financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provisions for default is maintained.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 10 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at 12.65% where applicable.

Financial assets exposed to credit risk at year end were as follows:

| Financial instrument                   | 2014       | 2013       |
|--|------------|------------|
| Non Current Investments                | 2 818 721  | 2 333 829  |
| Receivables from exchange transactions | 71 659 765 | 59 687 477 |
| Cash and cash equivalents              | 34 643 227 | 56 119 802 |
| Investments                            | 900 000    | 900 000    |

The provision for bad debts could be allocated between the different classes of debtors as follows:

| Modimolle Municipality | 2014 %       | 2014              | 2013 Percentage | 2013 Amount       |
|------------------------|--------------|-------------------|-----------------|-------------------|
| Electricity            | 11 %         | 3 038 047         | 15 %            | 3 744 578         |
| Water                  | 37 %         | 10 150 426        | 38 %            | 9 259 052         |
| Refuse                 | 8 %          | 2 232 455         | 9 %             | 2 039 045         |
| VAT                    | 19 %         | 5 079 337         | 11 %            | 2 711 388         |
| Other                  | 25 %         | 6 870 983         | 27 %            | 6 647 649         |
|                        | <b>100 %</b> | <b>27 371 248</b> | <b>100 %</b>    | <b>24 401 712</b> |

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

### 42. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of 890 470 634 and that the municipality's total assets exceed its liabilities by 890 953 897.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand                                       | 2014              | 2013             |
|---|-------------------|------------------|
| <b>43. Unauthorised expenditure</b>                   |                   |                  |
| Opening Balance                                       | 1 076 778         | 54 099 542       |
| Unauthorised expenditure condoned - A268/8/2013       | -                 | (37 729 891)     |
| Unauthorised expenditure condoned - A269/8/2013       | -                 | (15 809 551)     |
| Unauthorised expenditure for the current year         | 26 773 008        | 516 678          |
| Expenditure authorized in terms of section 32 of MFMA | (516 678)         | -                |
|   | <b>27 333 108</b> | <b>1 076 778</b> |

The unauthorised expenditure for the current year is largely due to the Debt Impairment and Depreciation on Assets.

### 44. Fruitless and wasteful expenditure

|   |                |                  |
|---|----------------|------------------|
| Opening Balance                                   | 1 523 580      | 1 360 617        |
| Fruitless and wasteful expenditure - current year | 43 897         | 162 963          |
| Written-off as irrecoverable - A266/8/2013        | (956 230)      | -                |
| Written-off as irrecoverable - A267/8/2013        | (94 707)       | -                |
|   | <b>516 540</b> | <b>1 523 580</b> |

This expenditure is under investigation. The decision whether the expenditure / lossess are recoverable, any criminal or disciplinary steps to be taken and material lossess recovered or written off is pending the investigation by the Municipal Public Accounts Committee.

### 45. Irregular expenditure

|   |                  |                  |
|---|------------------|------------------|
| Opening balance                           | 6 058 229        | 5 551 832        |
| Add: Irregular Expenditure - current year | 305 479          | 506 397          |
|   | <b>6 363 708</b> | <b>6 058 229</b> |

The municipality is investigating possible instances of irregular expenditure which has not been included in the amount disclosed above. The full extent of irregularity would only be known at the conclusion of this investigations. The amount disclosed above may change based on the outcome of these investigations.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

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### 46. Additional disclosure in terms of Municipal Finance Management Act

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

| 30 June 2014             | Outstanding<br>less than 90<br>days | Outstanding<br>more than 90<br>days | Total         |
|--------------------------|-------------------------------------|-------------------------------------|---------------|
| Councillor SA Sebolai    | 50                                  | 945                                 | 995           |
| Councillor MF Marutha    | 201                                 | -                                   | 201           |
| Councillor MS Olifant    | 1 237                               | 1 571                               | 2 808         |
| Councillor G Ferreira    | 115                                 | -                                   | 115           |
| Councillor RP Mashaba    | 695                                 | -                                   | 695           |
| Councillor WL Botes      | 609                                 | -                                   | 609           |
| Councillor SJ Moropene   | 109                                 | -                                   | 109           |
| Councillor MS Motshegoa  | 243                                 | -                                   | 243           |
| Councillor MC Laubscher  | 5 505                               | -                                   | 5 505         |
| Councillor SD Sebelebele | 471                                 | 164                                 | 635           |
|                          | <b>9 235</b>                        | <b>2 680</b>                        | <b>11 915</b> |

| 30 June 2013            | Outstanding<br>less than 90<br>days | Outstanding<br>more than 90<br>days | Total         |
|-------------------------|-------------------------------------|-------------------------------------|---------------|
| Councillor SA Sebolai   | 957                                 | -                                   | 957           |
| Councillor MF Marutha   | 436                                 | 11 240                              | 11 676        |
| Councillor MS Olifant   | 281                                 | -                                   | 281           |
| Councillor G Ferreira   | 315                                 | -                                   | 315           |
| Councillor RP Mashaba   | 209                                 | -                                   | 209           |
| Councillor WL Botes     | 1 204                               | -                                   | 1 204         |
| Councillor SJ Moropene  | 243                                 | 2 812                               | 3 055         |
| Councillor MS Ledwaba   | 224                                 | 1 342                               | 1 566         |
| Councillor MS Motshegoa | 591                                 | 3 681                               | 4 272         |
|                         | <b>4 460</b>                        | <b>19 075</b>                       | <b>23 535</b> |

During the year the following Councillors' had arrear accounts outstanding for less than 90 days.

| 30 June 2013          | Current      | 30 Days    |
|-----------------------|--------------|------------|
| Councillor SA Sebolai | 834          | 123        |
| Councillor MS Olifant | 281          | -          |
| Councillor G Ferreira | 315          | -          |
| Councillor RP Mashaba | 209          | -          |
| Councillor WL Botes   | 1 204        | -          |
|                       | <b>2 843</b> | <b>123</b> |

| 30 June 2014            | Current      | 30 Days  |
|-------------------------|--------------|----------|
| Councillor MF Marutha   | 201          | -        |
| Councillor G Ferreira   | 115          | -        |
| Councillor RP Mashaba   | 695          | -        |
| Councillor WL Botes     | 609          | -        |
| Councillor SJ Moropene  | 109          | -        |
| Councillor MS Motshegoa | 243          | -        |
| Councillor MC Laubscher | 5 505        | -        |
|                         | <b>7 477</b> | <b>-</b> |

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|-----------------|------|------|
|-----------------|------|------|

### 47. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations for the 2013/2014 that have been condoned by the Municipal Council (A 319/2/2014, A334/4/2014, A 371/7/2014) with the following reasons:

| Reasons for Deviation |                  |                |
|-----------------------|------------------|----------------|
| Sole Provider         | 324 324          | 146 552        |
| Urgent Requests       | 591 388          | 389 925        |
| Special Circumstances | 1 605 548        | 276 502        |
|                       | <u>2 521 260</u> | <u>812 979</u> |

### 48. Budget differences

#### Material differences between budget and actual amounts

The excess of actual revenue and expenditure over the final budget of 10% will be explained below.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand                        |                   |                   | 2014                | 2013              |              |
|--|-------------------|-------------------|---------------------|-------------------|--------------|
| Discription                            | Budget            | Adjustment Budget | Actual              | Variance          | % Variance   |
| <b>Revenue</b>                         |                   |                   |                     |                   |              |
| Property Rates                         | 20 600 000        | 22 720 000        | 27 774 001          | 5 054 001         | 22 %         |
| Service Charges - Electricity          | 71 660 000        | 75 560 000        | 78 216 863          | 2 656 863         | 4 %          |
| Service Charges - Water                | 28 600 000        | 28 800 000        | 27 616 138          | (1 183 862)       | (4)%         |
| Service Charges - Sanitation           | 9 100 000         | 10 500 000        | 10 680 050          | 180 050           | 2 %          |
| Service Charges - Refuse Removal       | 5 760 000         | 6 250 000         | 6 256 184           | 6 184             | - %          |
| Rental of facilities and equipment     | 75 200            | 78 200            | 558 024             | 479 824           | 614 %        |
| Interest Earned - External Investments | 2 700 000         | 2 500 000         | 2 712 028           | 212 028           | 8 %          |
| Interest Earned - Outstanding Debtors  | 6 000 000         | 8 200 000         | 9 691 873           | 1 491 873         | 18 %         |
| Fines                                  | 101 500           | 101 500           | 102 800             | 1 300             | 1 %          |
| Agency Services                        | 4 000 000         | 3 000 000         | 2 421 498           | (578 502)         | (19)%        |
| Transfers Recognised - Operational     | 62 686 243        | 62 060 243        | 62 232 148          | 171 905           | - %          |
| Transfers Recognised - Capital         | 49 672 757        | 69 152 282        | 43 575 388          | (25 576 894)      | (37)%        |
| Other Revenue                          | 4 526 364         | 6 009 364         | 7 636 213           | 1 626 849         | 27 %         |
| Subtotal                               | 265 482 064       | 294 931 589       | 279 473 208         | (15 458 381)      | 4            |
| <b>Expenditure</b>                     |                   |                   |                     |                   |              |
| Employee Related Cost                  | (76 219 517)      | (86 555 268)      | (96 655 527)        | (10 100 259)      | (12)%        |
| Remuneration of Councillors            | (5 831 500)       | (6 491 700)       | (5 980 488)         | 511 212           | 8 %          |
| Debt Impairment                        | (5 000 000)       | (5 000 000)       | (13 886 529)        | (8 886 529)       | (178)%       |
| Depreciation and Asset Impairment      | (33 274 450)      | (27 217 348)      | (42 083 746)        | (14 866 398)      | (55)%        |
| Finance Charges                        | (3 026 000)       | (3 010 000)       | (2 750 634)         | 259 366           | 7 %          |
| Bulk Purchases                         | (71 500 000)      | (80 800 000)      | (77 381 794)        | 3 418 206         | 4 %          |
| Other Materials                        | (8 240 340)       | (8 279 610)       | (8 386 906)         | (107 296)         | (1)%         |
| Contracted Services                    | (7 700 000)       | (7 700 000)       | (9 822 389)         | (2 122 389)       | (28)%        |
| Other Expenditure                      | (39 806 989)      | (40 216 527)      | (34 083 274)        | 6 133 253         | 15 %         |
| Loss on Disposal of Assets             | -                 | -                 | (3 439 805)         | (3 439 805)       | (100)%       |
| Subtotal                               | (250 598 796)     | (265 270 453)     | (294 471 092)       | (29 200 639)      | (9)%         |
|  | <b>14 883 359</b> | <b>29 661 136</b> | <b>(14 997 884)</b> | <b>44 659 020</b> | <b>151 %</b> |

### Details on Material Variances - Revenue

1. Property Rates is more than anticipated due to the implementation of the new valuation roll that started 1 July 2013.
2. Rental of facilities and equipment is more than anticipated due to contracts for grazing camps.
3. Interest earned on outstanding debtors is due to the collection rate being lower than anticipated.
4. Agency Services is less than anticipated during the budget process.
5. Other Revenue is more than anticipated due to building plans, fire brigade and sundry revenue.
6. Transfers recognised for capital is less than anticipated due to the capital program not being fully implemented.

### Details on Material Variances - Expenditure

1. Employee related cost is due to temporary wages paid, overtime paid and contribution to post retirement benefits being more than anticipated
2. Debt Impairment is over the budget due to the bad debt write-off (Note 10) that council approved and impacted on the Debt Impairment contribution
3. Finance cost related to the provision of post retirement benefits and long service awards was less than anticipated.
4. Contracted services is over the budget amount due to the security services and legal fees being more than anticipated.



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|-----------------|------|------|
|-----------------|------|------|

5. Other Expenditure is under spent due to spending being less than anticipated.
6. Depreciation is due to assets that increased in value e.g. Landfill site and new assets that was added to the Asset Register.
7. The municipality did not budget for the loss on disposal of assets as it was unknown during the budget process.

### 49. Interest earned - outstanding receivables

|                  |           |           |
|------------------|-----------|-----------|
| Consumer debtors | 9 691 873 | 7 458 819 |
|------------------|-----------|-----------|

### 50. Distribution Losses

|                     |                |                |
|---------------------|----------------|----------------|
| <b>Water Losses</b> | 2014           | 2013           |
| Average % Loss      | 19.39 %        | 4.16 %         |
| Annual Loss         | - %            | 14.35 %        |
|                     | <b>19.39 %</b> | <b>18.51 %</b> |

### 51. Commitments

|  |                   |                   |
|--|-------------------|-------------------|
| <b>Heading</b>                                 |                   |                   |
| Modimolle Market Stalls                        | 986 090           | 1 769 166         |
| Limpopo Low Level Bridge                       | 1 711 144         | 3 157 111         |
| Modimolle Waste Water Treatment Plant          | 11 985 791        | 5 669 120         |
| Rehabilitation of Lilian Ngoyi                 | 6 624 757         | 200 000           |
| Road Intersection Joe Slovo                    | -                 | 3 000 000         |
| Phagameng Ext 9 Street Light                   | -                 | 22 790            |
| Modimolle Street Lights                        | -                 | 94 711            |
| Development of Modimolle Park                  | 251 925           | 1 971 194         |
| Fencing of Mabatlane Cemetery                  | -                 | 146 891           |
| Fencing of Current Modimolle Cemetery          | -                 | 46 647            |
| Fencing of Old Modimolle Cemetery              | -                 | 192 827           |
| Fencing of Leseding Old Community Hall         | -                 | 478 350           |
| Phagameng Streets and Storm water phase 4      | 1 878 917         | -                 |
| Development of Phagameng Ext 6 Sports Facility | 1 562 367         | -                 |
| Energy Efficiency and Demand Side Management   | -                 | 7 188 731         |
| Bathathu Risk Solutions                        | 1 098 877         | 373 134           |
| Price Waterhouse Coopers                       | 2 371 494         | 3 403 717         |
| CSS Tirisano                                   | 23 132            | -                 |
| Redrow Chairs                                  | 4 218             | -                 |
| Ngwanamakibane Trading                         | 35 940            | -                 |
| Redrow Chairs                                  | 192 136           | -                 |
|  | <b>28 726 788</b> | <b>27 714 389</b> |

### 52. Related Parties

Related parties relates to Senior Management (Note 25) and Councillors (Note 26).

**Modimolle Local Municipality**  
**Appendix A**  
June 2014

**Schedule of external loans as at 30 June 2014**

| Loan Number                             | Redeemable | Balance at 30 June 2013 | Received during the period | Redeemed written off during the period | Balance at 30 June 2014 | Carrying Value of Property, Plant & Equip | Other Costs in accordance with the MFMA |
|---|------------|-------------------------|----------------------------|--|-------------------------|---|---|
|   |            | Rand                    | Rand                       | Rand                                   | Rand                    | Rand                                      | Rand                                    |
| <b>Development Bank of South Africa</b> |            |                         |                            |  |                         |   |   |
| DBSA                                    |            | 140 649                 | -                          | 140 649                                | -                       | -   | -                                       |
| DBSA                                    |            | 1 088 489               | -                          | 195 088                                | 893 401                 | -   | -                                       |
| DBSA                                    |            | 997 113                 | -                          | 147 720                                | 849 393                 | -   | -                                       |
|   |            | <b>2 226 251</b>        | <b>-</b>                   | <b>483 457</b>                         | <b>1 742 794</b>        | <b>-</b>                                  | <b>-</b>                                |
| <b>Bonds</b>                            |            |                         |                            |  |                         |   |   |
| <b>Other loans</b>                      |            |                         |                            |  |                         |   |   |
| <b>Lease liability</b>                  |            |                         |                            |  |                         |   |   |
| <b>Annuity loans</b>                    |            |                         |                            |  |                         |   |   |
| <b>Government loans</b>                 |            |                         |                            |  |                         |   |   |
| <b>Total external loans</b>             |            |                         |                            |  |                         |   |   |
|   |            | 2 226 251               | -                          | 483 457                                | 1 742 794               | -   | -                                       |
|   |            | <b>2 226 251</b>        | <b>-</b>                   | <b>483 457</b>                         | <b>1 742 794</b>        | <b>-</b>                                  | <b>-</b>                                |
| <b>Development Bank of South Africa</b> |            |                         |                            |  |                         |   |   |

**Modimolle Local Municipality**  
**Modimolle Local Municipality**  
**Appendix B**  
June 2014

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**  
**Accumulated depreciation**

|  | Opening<br>Balance<br>Rand | Additions<br>Rand | Disposals /<br>Transfers<br>Rand | WIP Release<br>Rand | Correction of Error<br>Rand | WIP<br>Rand       | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals /<br>Transfers<br>Rand | Correction of<br>Error<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|--|----------------------------|-------------------|----------------------------------|---------------------|-----------------------------|-------------------|----------------------------|----------------------------|----------------------------------|--------------------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Land and buildings</b>                  |                            |                   |                                  |                     |                             |                   |                            |                            |                                  |                                |                      |                         |                            |                           |
| Land (Separate for AFS purposes)           | 372 280 413                | -                 | -                                | -                   | -                           | -                 | 372 280 413                | -                          | -                                | -                              | -                    | -                       | -                          | 372 280 413               |
| Landfill Sites (Separate for AFS purposes) | 4 984 815                  | 13 472 089        | -                                | -                   | -                           | -                 | 18 456 904                 | (2 992 200)                | -                                | -                              | (6 199 041)          | -                       | (9 191 241)                | 9 265 663                 |
| Buildings (Separate for AFS purposes)      | 52 500 730                 | 394 737           | (616 278)                        | -                   | -                           | -                 | 52 279 189                 | (13 007 560)               | 437 068                          | -                              | (2 991 547)          | (314 226)               | (15 876 265)               | 36 402 924                |
|  | <b>429 765 958</b>         | <b>13 866 826</b> | <b>(616 278)</b>                 | <b>-</b>            | <b>-</b>                    | <b>-</b>          | <b>443 016 506</b>         | <b>(15 999 760)</b>        | <b>437 068</b>                   | <b>-</b>                       | <b>(9 190 589)</b>   | <b>(314 226)</b>        | <b>(25 067 506)</b>        | <b>417 949 000</b>        |
| <b>Infrastructure</b>                      |                            |                   |                                  |                     |                             |                   |                            |                            |                                  |                                |                      |                         |                            |                           |
| Roads, Pavements & Bridges                 | 222 728 354                | -                 | (6 281 988)                      | 11 289 754          | -                           | 16 052 001        | 243 788 121                | (47 159 019)               | 212 747                          | -                              | (11 349 604)         | (1 941 880)             | (60 237 756)               | 183 550 365               |
| Electricity Network                        | 89 135 307                 | 2 272 237         | (321 169)                        | -                   | -                           | 14 777 144        | 105 863 519                | (18 781 369)               | 82 554                           | -                              | (3 628 013)          | (77 928)                | (22 404 756)               | 83 458 763                |
| Electricity Supply Network                 | 1 228 239                  | -                 | -                                | -                   | -                           | -                 | 1 228 239                  | (65 409)                   | -                                | -                              | (85 142)             | -                       | (151 551)                  | 1 076 688                 |
| Water Supply Network                       | 120 227 382                | 4 281             | -                                | -                   | -                           | -                 | 120 231 663                | (27 839 605)               | -                                | -                              | (6 475 038)          | -                       | (34 314 643)               | 85 917 020                |
| Sanitation Network                         | 94 544 895                 | 60 040            | (187 796)                        | -                   | -                           | 125 038           | 94 542 177                 | (11 156 638)               | 134 225                          | -                              | (6 769 482)          | -                       | (17 791 895)               | 76 750 282                |
|  | <b>527 864 177</b>         | <b>2 336 558</b>  | <b>(6 790 953)</b>               | <b>11 289 754</b>   | <b>-</b>                    | <b>30 954 183</b> | <b>565 653 719</b>         | <b>(105 002 040)</b>       | <b>429 626</b>                   | <b>-</b>                       | <b>(28 308 279)</b>  | <b>(2 019 808)</b>      | <b>(134 900 601)</b>       | <b>430 753 118</b>        |
| <b>Community Assets</b>                    |                            |                   |                                  |                     |                             |                   |                            |                            |                                  |                                |                      |                         |                            |                           |
| Community halls                            | 13 118 566                 | -                 | (1 125)                          | -                   | -                           | -                 | 13 117 541                 | (2 963 118)                | 654                              | -                              | (1 143 027)          | (49 138)                | (4 154 629)                | 8 962 912                 |
| Recreational facilities                    | 11 305 394                 | -                 | (378 345)                        | -                   | -                           | 449 557           | 11 376 606                 | (3 163 195)                | 303 196                          | -                              | (841 561)            | -                       | (3 721 860)                | 7 655 046                 |
|  | <b>24 424 060</b>          | <b>-</b>          | <b>(379 470)</b>                 | <b>-</b>            | <b>-</b>                    | <b>449 557</b>    | <b>24 494 147</b>          | <b>(6 146 313)</b>         | <b>303 850</b>                   | <b>-</b>                       | <b>(1 984 588)</b>   | <b>(49 138)</b>         | <b>(7 876 189)</b>         | <b>16 617 958</b>         |

**Modimolle Local Municipality**  
**Modimolle Local Municipality**  
**Appendix B**

June 2014

**Analysis of property, plant and equipment as at 30 June 2014**  
**Accumulated depreciation**

**Cost/Revaluation**

|                             | Opening<br>Balance<br>Rand | Additions<br>Rand | Disposals /<br>Transfers<br>Rand | WIP Release<br>Rand | Correction of Error<br>Rand | WIP<br>Rand      | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals /<br>Transfers<br>Rand | Correction of<br>Error<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|-----------------------------|----------------------------|-------------------|----------------------------------|---------------------|-----------------------------|------------------|----------------------------|----------------------------|----------------------------------|--------------------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Heritage assets</b>      |                            |                   |                                  |                     |                             |                  |                            |                            |                                  |                                |                      |                         |                            |                           |
| <b>Specialised vehicles</b> |                            |                   |                                  |                     |                             |                  |                            |                            |                                  |                                |                      |                         |                            |                           |
| <b>Other assets</b>         |                            |                   |                                  |                     |                             |                  |                            |                            |                                  |                                |                      |                         |                            |                           |
| General vehicles            | 3 798 700                  | -                 | (180 000)                        | -                   | -                           | -                | 3 618 700                  | (1 981 894)                | 113 227                          | -                              | (390 670)            | -                       | (2 259 337)                | 1 358 363                 |
| Plant & equipment           | 1 090 771                  | 69 139            | (5 915)                          | -                   | -                           | -                | 1 153 995                  | (537 709)                  | 3 779                            | -                              | (183 115)            | -                       | (717 045)                  | 438 950                   |
| Furniture & Fittings        | 2 300 422                  | 11 968            | (17 008)                         | -                   | -                           | -                | 2 295 382                  | (1 182 000)                | 13 680                           | -                              | (297 536)            | -                       | (1 465 856)                | 829 526                   |
| Office Equipment            | 1 990 791                  | 173 664           | (11 253)                         | -                   | -                           | -                | 2 153 202                  | (1 016 979)                | 10 138                           | -                              | (296 581)            | -                       | (1 303 422)                | 849 780                   |
| Office Equipment - Leased   | 5 271 609                  | -                 | -                                | -                   | -                           | -                | 5 271 609                  | (2 070 136)                | -                                | -                              | (1 054 322)          | -                       | (3 124 458)                | 2 147 151                 |
| Library Books               | 1 395 918                  | -                 | -                                | -                   | -                           | -                | 1 395 918                  | (552 387)                  | -                                | -                              | (113 740)            | -                       | (666 127)                  | 729 791                   |
| Other buildings             | 8 740 600                  | -                 | (1 382 331)                      | 1 916 654           | -                           | 3 438 934        | 12 713 857                 | (1 477 945)                | -                                | -                              | (258 130)            | (11 553)                | (1 747 628)                | 10 966 229                |
| Housing                     | 53 299                     | -                 | -                                | -                   | -                           | -                | 53 299                     | (17 643)                   | -                                | -                              | (5 938)              | (5 952)                 | (29 593)                   | 23 705                    |
|                             | <b>24 642 110</b>          | <b>254 771</b>    | <b>(1 596 507)</b>               | <b>1 916 654</b>    | <b>-</b>                    | <b>3 438 934</b> | <b>28 655 962</b>          | <b>(8 836 693)</b>         | <b>140 824</b>                   | <b>-</b>                       | <b>(2 600 092)</b>   | <b>(17 505)</b>         | <b>(11 313 466)</b>        | <b>17 342 496</b>         |

**Modimolle Local Municipality**  
**Modimolle Local Municipality**  
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June 2014

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**      **Accumulated depreciation**

|   | Opening<br>Balance<br>Rand | Additions<br>Rand | Disposals /<br>Transfers<br>Rand | WIP Release<br>Rand | Correction of Error<br>Rand | WIP<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals /<br>Transfers<br>Rand | Correction of<br>Error<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|---|----------------------------|-------------------|----------------------------------|---------------------|-----------------------------|-------------|----------------------------|----------------------------|----------------------------------|--------------------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Total property plant and equipment</b> |                            |                   |                                  |                     |                             |             |                            |                            |                                  |                                |                      |                         |                            |                           |
| Land and buildings                        | 429 765 958                | 13 866 826        | (616 278)                        | -                   | -                           | -           | 443 016 506                | (15 999 760)               | 437 068                          | -                              | (9 190 588)          | (314 226)               | (25 087 506)               | 417 949 000               |
| Infrastructure                            | 527 864 177                | 2 336 558         | (6 790 953)                      | 11 289 754          | -                           | 30 954 183  | 565 653 719                | (105 002 040)              | 429 526                          | -                              | (28 306 279)         | (2 019 808)             | (134 900 601)              | 430 753 118               |
| Community Assets                          | 24 424 060                 | -                 | (379 470)                        | -                   | -                           | 449 557     | 24 494 147                 | (6 146 313)                | 303 850                          | -                              | (1 984 588)          | (49 138)                | (7 876 189)                | 16 617 958                |
| Other assets                              | 24 642 110                 | 254 771           | (1 596 507)                      | 1 916 654           | -                           | 3 438 934   | 28 655 962                 | (8 836 693)                | 140 824                          | -                              | (2 600 092)          | (17 505)                | (11 313 466)               | 17 342 496                |
|   | 1 006 696 305              | 16 458 155        | (9 383 208)                      | 13 206 408          | -                           | 34 842 674  | 1 061 820 334              | (135 984 806)              | 1 311 288                        | -                              | (42 083 547)         | (2 400 677)             | (179 157 762)              | 882 662 572               |
| <b>Agricultural/Biological assets</b>     |                            |                   |                                  |                     |                             |             |                            |                            |                                  |                                |                      |                         |                            |                           |
| Intangible assets                         |                            |                   |                                  |                     |                             |             |                            |                            |                                  |                                |                      |                         |                            |                           |
| Service                                   | 2 497 269                  | -                 | -                                | -                   | -                           | -           | 2 497 269                  | -                          | -                                | -                              | -                    | -                       | -                          | 2 497 269                 |
|   | 2 497 269                  | -                 | -                                | -                   | -                           | -           | 2 497 269                  | -                          | -                                | -                              | -                    | -                       | -                          | 2 497 269                 |
| <b>Investment properties</b>              |                            |                   |                                  |                     |                             |             |                            |                            |                                  |                                |                      |                         |                            |                           |
| Investment property                       | 5 575 251                  | -                 | -                                | -                   | -                           | -           | 5 575 251                  | -                          | -                                | -                              | -                    | -                       | -                          | 5 575 251                 |
|   | 5 575 251                  | -                 | -                                | -                   | -                           | -           | 5 575 251                  | -                          | -                                | -                              | -                    | -                       | -                          | 5 575 251                 |
| <b>Total</b>                              |                            |                   |                                  |                     |                             |             |                            |                            |                                  |                                |                      |                         |                            |                           |
| Land and buildings                        | 429 765 958                | 13 866 826        | (616 278)                        | -                   | -                           | -           | 443 016 506                | (15 999 760)               | 437 068                          | -                              | (9 190 588)          | (314 226)               | (25 087 506)               | 417 949 000               |
| Infrastructure                            | 527 864 177                | 2 336 558         | (6 790 953)                      | 11 289 754          | -                           | 30 954 183  | 565 653 719                | (105 002 040)              | 429 526                          | -                              | (28 306 279)         | (2 019 808)             | (134 900 601)              | 430 753 118               |
| Community Assets                          | 24 424 060                 | -                 | (379 470)                        | -                   | -                           | 449 557     | 24 494 147                 | (6 146 313)                | 303 850                          | -                              | (1 984 588)          | (49 138)                | (7 876 189)                | 16 617 958                |
| Other assets                              | 24 642 110                 | 254 771           | (1 596 507)                      | 1 916 654           | -                           | 3 438 934   | 28 655 962                 | (8 836 693)                | 140 824                          | -                              | (2 600 092)          | (17 505)                | (11 313 466)               | 17 342 496                |
| Intangible assets                         | 2 497 269                  | -                 | -                                | -                   | -                           | -           | 2 497 269                  | -                          | -                                | -                              | -                    | -                       | -                          | 2 497 269                 |
| Investment properties                     | 5 575 251                  | -                 | -                                | -                   | -                           | -           | 5 575 251                  | -                          | -                                | -                              | -                    | -                       | -                          | 5 575 251                 |
|   | 1 014 769 825              | 16 458 155        | (9 383 208)                      | 13 206 408          | -                           | 34 842 674  | 1 069 892 854              | (135 984 806)              | 1 311 288                        | -                              | (42 083 547)         | (2 400 677)             | (179 157 762)              | 890 735 092               |

**Modimolle Local Municipality**  
**Modimolle Local Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2013**  
**Accumulated depreciation**

|  | Opening Balance Rand | Additions Rand | Disposals/Transfers Rand | WIP Release Rand | Correction of Error Rand | WIP Rand   | Closing Balance Rand | Opening Balance Rand | Disposals/Transfers Rand | Correction of Error Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|--|----------------------|----------------|--------------------------|------------------|--------------------------|------------|----------------------|----------------------|--------------------------|--------------------------|-------------------|----------------------|----------------------|---------------------|
| Land and buildings                         |                      |                |                          |                  |                          |            |                      |                      |                          |                          |                   |                      |                      |                     |
| Land (Separate for AFS purposes)           | 356 020 860          | -              | -                        | -                | 16 259 553               | -          | 372 280 413          | -                    | -                        | -                        | -                 | -                    | -                    | 372 280 413         |
| Landfill Sites (Separate for AFS purposes) | 4 183 029            | 801 786        | -                        | -                | -                        | -          | 4 984 815            | (2 660 117)          | -                        | -                        | (332 084)         | -                    | (2 992 201)          | 1 992 614           |
| Buildings (Separate for AFS purposes)      | 52 785 104           | -              | -                        | -                | (285 374)                | -          | 52 500 730           | (11 522 155)         | -                        | 110 650                  | (1 596 055)       | -                    | (13 007 560)         | 39 493 170          |
|  | 412 989 993          | 801 786        | -                        | -                | 15 974 179               | -          | 429 765 958          | (14 182 272)         | -                        | 110 650                  | (1 928 139)       | -                    | (15 999 761)         | 413 766 197         |
| Infrastructure                             |                      |                |                          |                  |                          |            |                      |                      |                          |                          |                   |                      |                      |                     |
| Roads and Stormwater Network               | 189 677 988          | 4 356 239      | (290 630)                | 290 630          | 18 183 164               | 10 510 963 | 222 728 354          | (48 358 932)         | -                        | 9 312 055                | (8 112 142)       | -                    | (47 159 019)         | 175 569 335         |
| Electricity network                        | 84 335 571           | 3 497 950      | -                        | -                | 598 941                  | 702 843    | 89 135 305           | (16 622 337)         | -                        | 89 556                   | (2 248 588)       | -                    | (18 781 369)         | 70 353 936          |
| Electricity supply network                 | 1 228 239            | -              | -                        | -                | -                        | -          | 1 228 239            | (24 496)             | -                        | -                        | (40 913)          | -                    | (65 409)             | 1 162 830           |
| Water supply network                       | 102 932 574          | 16 117 955     | -                        | -                | 74 777                   | 1 102 077  | 120 227 383          | (22 966 250)         | -                        | 32 924                   | (4 906 280)       | -                    | (27 839 606)         | 92 387 777          |
| Sewerage network                           | 84 479 774           | 6 677 606      | -                        | -                | 120 606                  | 3 266 909  | 94 544 895           | (8 888 929)          | -                        | 3 119                    | (2 270 827)       | -                    | (11 156 637)         | 83 388 258          |
|  | 462 654 145          | 30 649 750     | (290 630)                | 290 630          | 18 977 488               | 15 582 782 | 527 864 176          | (96 860 944)         | -                        | 9 437 654                | (17 578 750)      | -                    | (105 002 040)        | 422 862 136         |
| Community Assets                           |                      |                |                          |                  |                          |            |                      |                      |                          |                          |                   |                      |                      |                     |
| Community halls                            | 10 072 234           | 702 646        | -                        | -                | 2 343 786                | -          | 13 118 666           | (2 630 399)          | -                        | 423                      | (333 142)         | -                    | (2 963 118)          | 10 155 548          |
| Recreational facilities                    | 9 613 483            | -              | -                        | -                | 1 691 910                | -          | 11 305 393           | (2 875 374)          | -                        | -                        | (307 822)         | -                    | (3 183 196)          | 8 122 197           |
|  | 19 685 717           | 702 646        | -                        | -                | 4 035 696                | -          | 24 424 059           | (5 505 773)          | -                        | 423                      | (640 964)         | -                    | (6 146 314)          | 18 277 745          |

**Modimolle Local Municipality**  
**Modimolle Local Municipality**  
**Appendix B**

June 2014

**Analysis of property, plant and equipment as at 30 June 2013**  
**Cost/Revaluation**      **Accumulated depreciation**

|                             | Opening<br>Balance<br>Rand | Additions<br>Rand | Disposals/Tra<br>nsfers<br>Rand | WIP<br>Rand      | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals/Tra<br>nsfers<br>Rand | Correction of<br>Error<br>Rand | WIP<br>Rand      | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals/Tra<br>nsfers<br>Rand | Correction of<br>Error<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>Value<br>Rand |
|-----------------------------|----------------------------|-------------------|---------------------------------|------------------|----------------------------|----------------------------|---------------------------------|--------------------------------|------------------|----------------------------|----------------------------|---------------------------------|--------------------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Heritage assets</b>      |                            |                   |                                 |                  |                            |                            |                                 |                                |                  |                            |                            |                                 |                                |                      |                         |                            |                           |
| <b>Specialised vehicles</b> |                            |                   |                                 |                  |                            |                            |                                 |                                |                  |                            |                            |                                 |                                |                      |                         |                            |                           |
| <b>Other assets</b>         |                            |                   |                                 |                  |                            |                            |                                 |                                |                  |                            |                            |                                 |                                |                      |                         |                            |                           |
| General vehicles            | 5 261 399                  | -                 | (1 759 548)                     | -                | 3 798 701                  | (2 359 423)                | 1 255 568                       | 153 041                        | -                | (1 031 080)                | -                          | -                               | -                              | (1 981 894)          | -                       | 1 816 807                  |                           |
| Plant & equipment           | 1 853 971                  | 169 583           | (1 006 000)                     | -                | 1 080 771                  | (836 026)                  | 583 739                         | 8 580                          | -                | (304 802)                  | -                          | -                               | -                              | (537 709)            | -                       | 553 062                    |                           |
| Furniture & Fittings        | 2 511 152                  | 25 952            | (279 661)                       | -                | 2 300 423                  | (374 457)                  | 154 492                         | -                              | -                | (362 035)                  | -                          | -                               | -                              | (1 182 000)          | -                       | 1 118 423                  |                           |
| Office Equipment            | 2 461 595                  | 148 804           | (737 733)                       | -                | 1 990 791                  | (995 290)                  | 507 408                         | 15 456                         | -                | (344 554)                  | -                          | -                               | -                              | (1 016 980)          | -                       | 973 811                    |                           |
| Office Equipment - Leased   | -                          | -                 | -                               | -                | 5 271 609                  | -                          | -                               | (1 006 779)                    | -                | (1 063 357)                | -                          | -                               | -                              | (2 070 136)          | -                       | 3 201 473                  |                           |
| Library books               | -                          | 9 568             | -                               | -                | 1 395 918                  | -                          | -                               | (441 968)                      | -                | (110 419)                  | -                          | -                               | -                              | (552 387)            | -                       | 843 531                    |                           |
| Other buildings             | 3 501 566                  | -                 | -                               | 3 589 837        | 8 740 600                  | (1 328 552)                | -                               | 29 863                         | -                | (179 256)                  | -                          | -                               | -                              | (1 477 945)          | -                       | 7 262 655                  |                           |
| Housing                     | 53 299                     | -                 | -                               | -                | 53 299                     | (16 045)                   | -                               | -                              | -                | (1 598)                    | -                          | -                               | -                              | (17 643)             | -                       | 35 656                     |                           |
|                             | <b>15 642 982</b>          | <b>353 907</b>    | <b>(3 782 942)</b>              | <b>3 589 837</b> | <b>24 642 112</b>          | <b>(5 509 793)</b>         | <b>2 511 207</b>                | <b>(1 241 807)</b>             | <b>3 589 837</b> | <b>(3 696 301)</b>         | <b>-</b>                   | <b>-</b>                        | <b>-</b>                       | <b>(6 836 694)</b>   | <b>-</b>                | <b>15 805 418</b>          |                           |

**Modimolle Local Municipality**  
**Modimolle Local Municipality**  
**Appendix B**

June 2014

**Analysis of property, plant and equipment as at 30 June 2013**  
**Cost/Revaluation**      **Accumulated depreciation**

|   | Opening<br>Balance<br>Rand | Additions<br>Rand | Disposals/Tra<br>nsfers<br>Rand | WIP Release<br>Rand | Correction of Error<br>Rand | WIP<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals/Tra<br>nsfers<br>Rand | Correction of<br>Error<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|---|----------------------------|-------------------|---------------------------------|---------------------|-----------------------------|-------------|----------------------------|----------------------------|---------------------------------|--------------------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Total property plant and equipment</b> |                            |                   |                                 |                     |                             |             |                            |                            |                                 |                                |                      |                         |                            |                           |
| Land and buildings                        | 412 989 993                | 801 786           | -                               | -                   | 15 974 179                  | -           | 429 765 958                | (14 182 272)               | -                               | 110 650                        | (1 928 139)          | -                       | (15 999 761)               | 413 766 197               |
| Infrastructure                            | 462 654 146                | 30 649 750        | (290 630)                       | 290 630             | 18 977 488                  | 15 582 792  | 527 864 176                | (96 860 944)               | -                               | 9 437 654                      | (17 578 750)         | -                       | (105 002 040)              | 422 862 136               |
| Community Assets                          | 19 685 717                 | 702 646           | -                               | -                   | 4 035 696                   | -           | 24 424 059                 | (9 505 773)                | -                               | 423                            | (640 964)            | -                       | (6 146 314)                | 18 277 745                |
| Other assets                              | 15 642 982                 | 353 907           | (3 782 942)                     | -                   | 8 838 328                   | 3 589 837   | 24 642 112                 | (6 509 793)                | 2 511 207                       | (1 241 807)                    | (3 596 301)          | -                       | (8 836 694)                | 15 805 418                |
|   | 910 972 838                | 32 508 089        | (4 073 572)                     | 290 630             | 47 825 691                  | 19 172 629  | 1 006 696 305              | (123 058 782)              | 2 511 207                       | 8 306 920                      | (23 744 154)         | -                       | (135 984 809)              | 870 711 496               |
| <b>Agricultural/Biological assets</b>     |                            |                   |                                 |                     |                             |             |                            |                            |                                 |                                |                      |                         |                            |                           |
| Intangible assets                         |                            |                   |                                 |                     |                             |             |                            |                            |                                 |                                |                      |                         |                            |                           |
| Service                                   | 2 497 269                  | -                 | -                               | -                   | -                           | -           | 2 497 269                  | -                          | -                               | -                              | -                    | -                       | -                          | 2 497 269                 |
|   | 2 497 269                  | -                 | -                               | -                   | -                           | -           | 2 497 269                  | -                          | -                               | -                              | -                    | -                       | -                          | 2 497 269                 |
| <b>Investment properties</b>              |                            |                   |                                 |                     |                             |             |                            |                            |                                 |                                |                      |                         |                            |                           |
| Investment property                       | -                          | -                 | -                               | -                   | 5 575 251                   | -           | 5 575 251                  | -                          | -                               | -                              | -                    | -                       | -                          | 5 575 251                 |
|   | -                          | -                 | -                               | -                   | 5 575 251                   | -           | 5 575 251                  | -                          | -                               | -                              | -                    | -                       | -                          | 5 575 251                 |
| <b>Total</b>                              |                            |                   |                                 |                     |                             |             |                            |                            |                                 |                                |                      |                         |                            |                           |
| Land and buildings                        | 412 989 993                | 801 786           | -                               | -                   | 15 974 179                  | -           | 429 765 958                | (14 182 272)               | -                               | 110 650                        | (1 928 139)          | -                       | (15 999 761)               | 413 766 197               |
| Infrastructure                            | 462 654 146                | 30 649 750        | (290 630)                       | 290 630             | 18 977 488                  | 15 582 792  | 527 864 176                | (96 860 944)               | -                               | 9 437 654                      | (17 578 750)         | -                       | (105 002 040)              | 422 862 136               |
| Community Assets                          | 19 685 717                 | 702 646           | -                               | -                   | 4 035 696                   | -           | 24 424 059                 | (9 505 773)                | -                               | 423                            | (640 964)            | -                       | (6 146 314)                | 18 277 745                |
| Other assets                              | 15 642 982                 | 353 907           | (3 782 942)                     | -                   | 8 838 328                   | 3 589 837   | 24 642 112                 | (6 509 793)                | 2 511 207                       | (1 241 807)                    | (3 596 301)          | -                       | (8 836 694)                | 15 805 418                |
| Intangible assets                         | 2 497 269                  | -                 | -                               | -                   | -                           | -           | 2 497 269                  | -                          | -                               | -                              | -                    | -                       | -                          | 2 497 269                 |
| Investment properties                     | -                          | -                 | -                               | -                   | 5 575 251                   | -           | 5 575 251                  | -                          | -                               | -                              | -                    | -                       | -                          | 5 575 251                 |
|   | 913 470 107                | 32 508 089        | (4 073 572)                     | 290 630             | 53 400 942                  | 19 172 629  | 1 014 768 825              | (123 058 782)              | 2 511 207                       | 8 306 920                      | (23 744 154)         | -                       | (135 984 809)              | 878 784 016               |



Modimolle Local Municipality  
Appendix F  
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003  
June 2014

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts |        |       |        | Quarterly Expenditure |     |        |        |        |        |     |     | Grants and Subsidies delayed / withheld |       |     |  |     |  | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for noncompliance |
|----------------|--|--------------------|--------|-------|--------|-----------------------|-----|--------|--------|--------|--------|-----|-----|---|-------|-----|--|-----|--|---------------------------------------|--|--------------------------|
|                |  | Jun                | Sep    | Dec   | Mar    | Jun                   | Jun | Sep    | Dec    | Mar    | Jun    | Jun | Sep | Dec                                     | Mar   | Jun |  |     |  |                                       |  |                          |
| MIG            |  | -                  | 13 112 | -     | 24 259 | -                     | -   | 2 233  | 8 550  | 9 452  | 10 502 | -   | -   | -                                       | 1 965 | -   |  | Yes |  |                                       |  |                          |
| FMG            |  | -                  | 1 550  | -     | -      | -                     | -   | 268    | 296    | 174    | 812    | -   | -   | -                                       | -     | -   |  | Yes |  |                                       |  |                          |
| MSIG           |  | -                  | 890    | -     | -      | -                     | -   | 4      | 419    | 4      | 463    | -   | -   | -                                       | -     | -   |  | Yes |  |                                       |  |                          |
| EEDG           |  | -                  | -      | -     | -      | -                     | -   | 3 097  | 1 562  | 1 916  | 468    | -   | -   | -                                       | -     | -   |  | Yes |  |                                       |  |                          |
| INEG           |  | -                  | 2 000  | 5 300 | -      | -                     | -   | 4 201  | 1 753  | 201    | 1 151  | -   | -   | -                                       | -     | -   |  | Yes |  |                                       |  |                          |
| EPWP           |  | -                  | 400    | 300   | 300    | -                     | -   | 445    | 215    | 340    | -      | -   | -   | -                                       | -     | -   |  |     |  |                                       |  |                          |
|                |  | -                  | 17 952 | 5 600 | 24 559 | -                     | -   | 10 248 | 12 795 | 12 087 | 13 396 | -   | -   | -                                       | 1 965 | -   |  |     |  |                                       |  |                          |

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

# Modimolle Local Municipality

## Appendix G1

### Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2014

|                                     | 2014/2013       |   |                          |  | 2013/2012                                 |              |                |                          |   |                                     |  |                                   |   |                         |                          |
|-------------------------------------|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
|                                     | Original Budget | Budget Adjustments (l.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (l.t.o. s31 of the MFMA) | Virement (l.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
|                                     | Rand            | Rand  | Rand                     | Rand                                       | Rand                                      | Rand         | Rand           | Rand                     | Rand  | Rand                                | Rand                                   | Rand                              | Rand  | Rand                    | Rand                     |
| Revenue – Standard                  |                 |   |                          |  |   |              |                |                          |   |                                     |  |                                   |   |                         |                          |
| Governance and administration       | 65 262 258      | 4 092 000   | 69 354 258               | -  | -   | 69 354 258   | 77 136 305     | -                        | 7 782 047   | 111 %                               | 118 %                                  | -                                 | -   | -                       | 65 441 035               |
| Executive and council               | 29 180 552      | (20 600 000)  | 8 580 552                | -  | -   | 8 580 552    | 9 232 772      | -                        | 652 220   | 108 %                               | 32 %                                   | -                                 | -   | -                       | 17 593 438               |
| Budget and treasury office          | 35 667 206      | 24 700 000  | 60 367 206               | -  | -   | 60 367 206   | 67 077 461     | -                        | 6 710 255   | 111 %                               | 188 %                                  | -                                 | -   | -                       | 47 043 966               |
| Corporate services                  | 414 500         | (8 000)   | 406 500                  | -  | -   | 406 500      | 826 072        | -                        | 419 572   | 203 %                               | 199 %                                  | -                                 | -   | -                       | 803 631                  |
| Community and public safety         | 5 043 564       | 3 544 995   | 8 588 559                | -  | -   | 8 588 559    | 5 690 924      | -                        | (2 897 635)   | 66 %                                | 113 %                                  | -                                 | -   | -                       | 5 044 658                |
| Community and social services       | 203 700         | 2 609 801   | 2 813 501                | -  | -   | 2 813 501    | 1 372 341      | -                        | (1 441 160)   | 49 %                                | 674 %                                  | -                                 | -   | -                       | 2 983 864                |
| Sport and recreation                | 3 014 000       | 935 194   | 3 949 194                | -  | -   | 3 949 194    | 2 395 234      | -                        | (1 553 960)   | 61 %                                | 79 %                                   | -                                 | -   | -                       | 361 496                  |
| Public safety                       | 1 825 864       | -   | 1 825 864                | -  | -   | 1 825 864    | 1 923 349      | -                        | 97 485  | 105 %                               | 105 %                                  | -                                 | -   | -                       | 1 699 298                |
| Housing                             | -               | -   | -                        | -  | -   | -            | -              | -                        | -   | DIV/0 %                             | DIV/0 %                                | -                                 | -   | -                       | -                        |
| Health                              | -               | -   | -                        | -  | -   | -            | -              | -                        | -   | DIV/0 %                             | DIV/0 %                                | -                                 | -   | -                       | -                        |
| Economic and environmental services | 35 588 243      | 3 902 000   | 40 470 243               | -  | -   | 40 470 243   | 29 488 459     | -                        | (10 983 784)  | 73 %                                | 81 %                                   | -                                 | -   | -                       | 20 858 262               |
| Planning and development            | 2 156 243       | -   | 2 156 243                | -  | -   | 2 156 243    | 2 175 485      | -                        | 19 242  | 101 %                               | 101 %                                  | -                                 | -   | -                       | 1 610 014                |
| Road transport                      | 34 412 000      | 3 902 000   | 38 314 000               | -  | -   | 38 314 000   | 27 310 974     | -                        | (11 003 026)  | 71 %                                | 79 %                                   | -                                 | -   | -                       | 19 248 248               |
| Environmental protection            | -               | -   | -                        | -  | -   | -            | -              | -                        | -   | DIV/0 %                             | DIV/0 %                                | -                                 | -   | -                       | -                        |
| Trading services                    | 158 607 999     | 17 910 530  | 176 518 529              | -  | -   | 176 518 529  | 167 159 520    | -                        | (9 359 009)   | 95 %                                | 105 %                                  | -                                 | -   | -                       | 156 925 959              |
| Electricity                         | 95 886 231      | 7 656 230   | 103 542 461              | -  | -   | 103 542 461  | 107 056 941    | -                        | 3 514 480   | 103 %                               | 112 %                                  | -                                 | -   | -                       | 90 607 709               |
| Water                               | 34 877 304      | 200 000   | 35 077 304               | -  | -   | 35 077 304   | 33 871 442     | -                        | (1 205 862)   | 97 %                                | 97 %                                   | -                                 | -   | -                       | 32 096 750               |
| Waste water management              | 18 586 925      | 9 564 300   | 28 151 225               | -  | -   | 28 151 225   | 16 477 414     | -                        | (11 673 811)  | 59 %                                | 89 %                                   | -                                 | -   | -                       | 25 467 968               |
| Waste management                    | 9 257 539       | 490 000   | 9 747 539                | -  | -   | 9 747 539    | 9 753 723      | -                        | 6 184   | 100 %                               | 105 %                                  | -                                 | -   | -                       | 8 753 532                |
| Other                               | -               | -   | -                        | -  | -   | -            | -              | -                        | -   | DIV/0 %                             | DIV/0 %                                | -                                 | -   | -                       | -                        |
| Other                               | -               | -   | -                        | -  | -   | -            | -              | -                        | -   | DIV/0 %                             | DIV/0 %                                | -                                 | -   | -                       | -                        |
| Total Revenue - Standard            | 265 482 054     | 29 449 525  | 294 931 589              | -  | -   | 294 931 589  | 279 473 208    | -                        | (15 458 381)  | 95 %                                | 105 %                                  | -                                 | -   | -                       | 248 269 914              |

# Modimolle Local Municipality

## Appendix G1

### Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2014

|                                     | 2014/2013       |   |             |                          |  |      |   |             |              |      | 2013/2012      |                          |         |   |      |                                     |      |  |      |                                   |   |                         |                          |             |
|-------------------------------------|-----------------|---|-------------|--------------------------|--|------|---|-------------|--------------|------|----------------|--------------------------|---------|---|------|-------------------------------------|------|--|------|-----------------------------------|---|-------------------------|--------------------------|-------------|
|                                     | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) |             | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) |      | Virement (i.t.o. Council approved policy) |             | Final Budget |      | Actual Outcome | Unauthorised expenditure |         | Variance of Actual Outcome against Adjustments Budget |      | Actual Outcome as % of Final Budget |      | Actual Outcome as % of Original Budget |      | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Resisted Audited Outcome |             |
|                                     | Rand            | Rand  | Rand        | Rand                     | Rand                                       | Rand | Rand                                      | Rand        | Rand         | Rand | Rand           | Rand                     | Rand    | Rand  | Rand | Rand                                | Rand | Rand                                   | Rand | Rand                              | Rand  | Rand                    | Rand                     |             |
| Expenditure - Standard              |                 |   |             |                          |  |      |   |             |              |      |                |                          |         |   |      |                                     |      |  |      |                                   |   |                         |                          |             |
| Governance and administration       |                 |   |             |                          |  |      |   |             |              |      |                |                          |         |   |      |                                     |      |  |      |                                   |   |                         |                          |             |
| Executive and council               | 54 013 816      | 5 323 588   | 59 337 404  | -                        | -  | -    | -   | 59 337 404  | 74 780 881   | -    | -              | 15 443 477               | 126 %   | 138 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 38 132 182  |
| Budget and treasury office          | 20 523 884      | 4 592 400   | 25 116 284  | -                        | -  | -    | -   | 25 116 284  | 40 295 823   | -    | -              | 15 179 539               | 160 %   | 196 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 11 488 135  |
| Corporate services                  | 18 172 746      | (230 546)   | 17 922 200  | -                        | -  | -    | -   | 17 922 200  | 18 863 759   | -    | -              | 941 559                  | 105 %   | 104 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 14 575 882  |
| Community and public safety         | 25 317 186      | 981 734   | 16 299 920  | -                        | -  | -    | -   | 16 299 920  | 15 621 299   | -    | -              | (677 621)                | 96 %    | 102 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 12 088 165  |
| Community and social services       | 26 191 421      | (876 076)   | 25 315 345  | -                        | -  | -    | -   | 25 315 345  | 26 803 887   | -    | -              | 1 488 542                | 106 %   | 102 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 20 376 004  |
| Community and social services       | 14 661 770      | (2 034 400)   | 12 627 370  | -                        | -  | -    | -   | 12 627 370  | 14 105 348   | -    | -              | 1 477 978                | 112 %   | 96 %  | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 11 403 645  |
| Sport and recreation                | 6 216 464       | 1 072 824   | 7 289 288   | -                        | -  | -    | -   | 7 289 288   | 7 444 759    | -    | -              | 155 471                  | 102 %   | 120 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 4 476 946   |
| Public safety                       | 5 313 187       | 85 500  | 5 398 687   | -                        | -  | -    | -   | 5 398 687   | 5 253 780    | -    | -              | (144 907)                | 97 %    | 99 %  | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 4 495 413   |
| Housing                             | -               | -   | -           | -                        | -  | -    | -   | -           | -            | -    | -              | -                        | DIV/0 % | DIV/0 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | -           |
| Health                              | -               | -   | -           | -                        | -  | -    | -   | -           | -            | -    | -              | -                        | DIV/0 % | DIV/0 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | -           |
| Economic and environmental services | 34 412 062      | 926 186   | 35 338 258  | -                        | -  | -    | -   | 35 338 258  | 36 987 010   | -    | -              | 1 648 752                | 105 %   | 107 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 28 203 025  |
| Planning and development            | 9 922 453       | (468 144)   | 9 454 309   | -                        | -  | -    | -   | 9 454 309   | 8 349 036    | -    | -              | (1 105 273)              | 88 %    | 84 %  | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 7 209 401   |
| Road transport                      | 24 489 609      | 1 394 340   | 25 883 949  | -                        | -  | -    | -   | 25 883 949  | 28 637 974   | -    | -              | 2 754 025                | 111 %   | 117 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 20 993 624  |
| Environmental protection            | -               | -   | -           | -                        | -  | -    | -   | -           | -            | -    | -              | -                        | DIV/0 % | DIV/0 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | -           |
| Trading services                    | 135 981 406     | 9 298 040   | 145 279 446 | -                        | -  | -    | -   | 145 279 446 | 155 899 310  | -    | -              | 10 519 864               | 107 %   | 115 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 130 487 807 |
| Electricity                         | 86 067 833      | 7 516 800   | 93 584 633  | -                        | -  | -    | -   | 93 584 633  | 91 880 809   | -    | -              | (1 703 824)              | 98 %    | 107 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 87 236 267  |
| Water                               | 31 221 212      | 297 240   | 31 518 452  | -                        | -  | -    | -   | 31 518 452  | 32 777 745   | -    | -              | 1 259 293                | 104 %   | 105 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 25 609 489  |
| Waste water management              | 8 748 286       | 100 700   | 8 848 986   | -                        | -  | -    | -   | 8 848 986   | 13 530 108   | -    | -              | 4 681 122                | 153 %   | 155 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 7 419 718   |
| Waste management                    | 9 944 075       | 1 383 300   | 11 327 375  | -                        | -  | -    | -   | 11 327 375  | 17 710 648   | -    | -              | 6 383 273                | 156 %   | 178 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 10 232 333  |
| Other                               | -               | -   | -           | -                        | -  | -    | -   | -           | -            | -    | -              | -                        | DIV/0 % | DIV/0 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | -           |
| Other                               | -               | -   | -           | -                        | -  | -    | -   | -           | -            | -    | -              | -                        | DIV/0 % | DIV/0 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | -           |
| Total Expenditure - Standard        | 250 698 705     | 14 671 748  | 265 270 453 | -                        | -  | -    | -   | 265 270 453 | 294 471 088  | -    | -              | 29 200 635               | 111 %   | 118 %   | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 217 209 018 |
| Surplus/(Deficit) for the year      | 14 883 359      | 14 777 777  | 29 661 136  | -                        | -  | -    | -   | 29 661 136  | (14 997 880) | -    | -              | (44 659 016)             | (51)%   | (101)%  | -    | -                                   | -    | -                                      | -    | -                                 | -   | -                       | -                        | 31 060 896  |

# Modimolle Local Municipality

## Appendix G2

### Budgeted Financial Performance (revenue and expenditure by municipal vote)

for the year ended 30 June 2014

2014/2013

2013/2012

| Original Budget                               | Budget Adjustments<br>(i.e. s28 and s31 of the MFMA) | Final<br>budget<br>adjustments | Shifting of<br>funds (i.e.<br>s31 of the<br>MFMA) | Virement<br>(i.e. Council<br>approved<br>policy) | Final Budget       | Actual<br>Outcome   | Unauthorised<br>expenditure | Variance of<br>Actual<br>Outcome<br>against<br>Adjustments | Actual<br>Outcome as %<br>of Final<br>Budget | Actual<br>Outcome as %<br>of Original<br>Budget | Reported<br>unauthorised<br>expenditure | Expenditure<br>authorised in<br>terms of<br>section 32 of<br>MFMA | Balance to be<br>recovered | Restated<br>Audited<br>Outcome |
|---|--|--------------------------------|---|--|--------------------|---------------------|-----------------------------|--|--|---|---|---|----------------------------|--------------------------------|
| Rand  | Rand   | Rand                           | Rand  | Rand   | Rand               | Rand                | Rand                        | Rand   | Rand   | Rand  | Rand                                    | Rand  | Rand                       | Rand                           |
| <b>Revenue by Vote</b>                        |  |                                |   |  |                    |                     |                             |  |  |   |   |   |                            |                                |
| Vote 1- Executive and Council                 | 29 180 552   | (20 600 000)                   | 8 580 552   | -  | 8 580 552          | 9 232 772           | -                           | 652 220  | 108 %  | 32 %  | -                                       | -   | -                          | -                              |
| Vote 2 - Budget and Treasury                  | 35 667 206   | 24 700 000                     | 60 367 206  | -  | 60 367 206         | 67 077 461          | -                           | 6 710 255  | 111 %  | 188 %   | -                                       | -   | -                          | -                              |
| Vote 3 - Social Services                      | 18 306 103   | 3 034 995                      | 21 341 098  | -  | 21 341 098         | 17 866 794          | -                           | (3 474 304)  | 84 %   | 98 %  | -                                       | -   | -                          | -                              |
| Vote 4 - Corporate Services                   | 375 000  | (8 000)                        | 367 000   | -  | 367 000            | 356 481             | -                           | (10 519)   | 97 %   | 95 %  | -                                       | -   | -                          | -                              |
| Vote 5 - Technical Services                   | 181 760 203  | 22 322 530                     | 204 082 733                                       | -  | 204 082 733        | 184 776 833         | -                           | (19 305 900)   | 91 %   | 102 %   | -                                       | -   | -                          | -                              |
| Vote 6 - Planning and Development             | 193 000  | -                              | 193 000   | -  | 193 000            | 162 868             | -                           | (30 132)   | 84 %   | 84 %  | -                                       | -   | -                          | -                              |
| <b>Total Revenue by Vote</b>                  | <b>265 482 064</b>                                   | <b>29 449 525</b>              | <b>294 931 589</b>                                | <b>-</b>   | <b>294 931 589</b> | <b>279 472 209</b>  | <b>-</b>                    | <b>(15 458 380)</b>  | <b>95 %</b>                                  | <b>105 %</b>                                    | <b>-</b>                                | <b>-</b>  | <b>-</b>                   | <b>-</b>                       |
| <b>Expenditure by Vote to be appropriated</b> |  |                                |   |  |                    |                     |                             |  |  |   |   |   |                            |                                |
| Vote 1- Executive and Council                 | 20 523 884   | 4 592 400                      | 25 116 284  | -  | 25 116 284         | 40 295 823          | 15 179 539                  | 15 179 539   | 160 %  | 186 %   | -                                       | -   | -                          | -                              |
| Vote 2 - Budget and Treasury                  | 18 172 746   | (250 546)                      | 17 922 200  | -  | 17 922 200         | 18 863 759          | 941 559                     | 941 559  | 105 %  | 104 %   | -                                       | -   | -                          | -                              |
| Vote 3 - Social Services                      | 39 712 777   | 1 020 024                      | 40 732 801  | -  | 40 732 801         | 48 521 603          | 7 788 802                   | 7 788 802  | 119 %  | 122 %   | -                                       | -   | -                          | -                              |
| Vote 4 - Corporate Services                   | 15 193 386   | 981 734                        | 16 175 120  | -  | 16 175 120         | 15 551 151          | -                           | (623 969)  | 96 %   | 102 %   | -                                       | -   | -                          | -                              |
| Vote 5 - Technical Services                   | 149 036 702  | 8 327 280                      | 157 363 982                                       | -  | 157 363 982        | 164 450 090         | 7 086 108                   | 7 086 108  | 105 %  | 110 %   | -                                       | -   | -                          | -                              |
| Vote 6 - Planning and Development             | 7 959 210  | 856                            | 7 960 066   | -  | 7 960 066          | 6 788 661           | -                           | (1 171 405)  | 85 %   | 85 %  | -                                       | -   | -                          | -                              |
| <b>Total Expenditure by Vote</b>              | <b>250 598 705</b>                                   | <b>14 671 748</b>              | <b>265 270 453</b>                                | <b>-</b>   | <b>265 270 453</b> | <b>294 471 087</b>  | <b>30 996 008</b>           | <b>29 200 634</b>  | <b>111 %</b>                                 | <b>118 %</b>                                    | <b>-</b>                                | <b>-</b>  | <b>-</b>                   | <b>-</b>                       |
| <b>Surplus/(Deficit) for the year</b>         | <b>14 883 359</b>                                    | <b>14 777 777</b>              | <b>29 661 136</b>                                 | <b>-</b>   | <b>29 661 136</b>  | <b>(14 997 878)</b> | <b>(44 859 014)</b>         | <b>(44 859 014)</b>  | <b>(51)%</b>                                 | <b>(101)%</b>                                   | <b>-</b>                                | <b>-</b>  | <b>-</b>                   | <b>-</b>                       |

**Modimolle Local Municipality**  
**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2014**

| 2014/2013   |             |   |  |                          |   |  |  |   |  |              |  |                |  |                          | 2013/2012 |   |  |                                     |  |  |  |                                   |  |   |  |                         |  |                          |             |  |  |
|---|-------------|---|--|--------------------------|---|--|--|---|--|--------------|--|----------------|--|--------------------------|-----------|---|--|-------------------------------------|--|--|--|-----------------------------------|--|---|--|-------------------------|--|--------------------------|-------------|--|--|
| Original Budget   |             | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) |  | Final adjustments budget |   | Shifting of funds (i.t.o. s31 of the MFMA) |  | Virement (i.t.o. Council approved policy) |  | Final Budget |  | Actual Outcome |  | Unauthorised expenditure |           | Variance of Actual Outcome against Budget Adjustments |  | Actual Outcome as % of Final Budget |  | Actual Outcome as % of Original Budget |  | Reported unauthorised expenditure |  | Expenditure authorised in terms of section 32 of MFMA |  | Balance to be recovered |  | Restated Audited Outcome |             |  |  |
| Rand  |             | Rand  |  | Rand                     |   | Rand                                       |  | Rand                                      |  | Rand         |  | Rand           |  | Rand                     |           | Rand  |  | Rand                                |  | Rand                                   |  | Rand                              |  | Rand  |  | Rand                    |  | Rand                     |             |  |  |
| Revenue By Source   |             |   |  |                          |   |  |  |   |  |              |  |                |  |                          |           |   |  |                                     |  |  |  |                                   |  |   |  |                         |  |                          |             |  |  |
| Property rates  | 20 600 000  | 2 120 000   |  | 22 720 000               | - |  |  |   |  | 22 720 000   |  | 27 774 000     |  |                          |           | 5 054 000   |  | 122 %                               |  | 135 %                                  |  |                                   |  |   |  |                         |  |                          | 19 426 513  |  |  |
| Service charges - electricity revenue                         | 71 660 000  | 3 900 000   |  | 75 560 000               | - |  |  |   |  | 75 560 000   |  | 78 216 863     |  |                          |           | 2 656 863   |  | 104 %                               |  | 109 %                                  |  |                                   |  |   |  |                         |  |                          | 70 473 907  |  |  |
| Service charges - water revenue                               | 28 600 000  | 200 000   |  | 28 800 000               | - |  |  |   |  | 28 800 000   |  | 27 616 138     |  |                          |           | (1 183 862)   |  | 96 %                                |  | 97 %                                   |  |                                   |  |   |  |                         |  |                          | 24 857 547  |  |  |
| Service charges - sanitation revenue                          | 9 100 000   | 1 400 000   |  | 10 500 000               | - |  |  |   |  | 10 500 000   |  | 10 680 050     |  |                          |           | 180 050   |  | 102 %                               |  | 117 %                                  |  |                                   |  |   |  |                         |  |                          | 8 351 291   |  |  |
| Service charges - refuse revenue                              | 5 760 000   | 490 000   |  | 6 250 000                | - |  |  |   |  | 6 250 000    |  | 6 256 184      |  |                          |           | 6 184   |  | 100 %                               |  | 109 %                                  |  |                                   |  |   |  |                         |  |                          | 5 383 539   |  |  |
| Rental of facilities and equipment                            | 75 200      | 3 000   |  | 78 200                   | - |  |  |   |  | 78 200       |  | 558 024        |  |                          |           | 479 824   |  | 714 %                               |  | 742 %                                  |  |                                   |  |   |  |                         |  |                          | 173 310     |  |  |
| Interest earned - external investments                        | 2 700 000   | (200 000)   |  | 2 500 000                | - |  |  |   |  | 2 500 000    |  | 2 712 028      |  |                          |           | 212 028   |  | 108 %                               |  | 100 %                                  |  |                                   |  |   |  |                         |  |                          | 2 528 263   |  |  |
| Interest earned - outstanding debtors                         | 6 000 000   | 2 200 000   |  | 8 200 000                | - |  |  |   |  | 8 200 000    |  | 9 691 873      |  |                          |           | 1 491 873   |  | 118 %                               |  | 162 %                                  |  |                                   |  |   |  |                         |  |                          | 7 458 819   |  |  |
| Fines   | 101 500     | -   |  | 101 500                  | - |  |  |   |  | 101 500      |  | 102 800        |  |                          |           | 1 300   |  | 101 %                               |  | 101 %                                  |  |                                   |  |   |  |                         |  |                          | 95 774      |  |  |
| Agency services   | 4 000 000   | (1 000 000)   |  | 3 000 000                | - |  |  |   |  | 3 000 000    |  | 2 421 498      |  |                          |           | (578 502)   |  | 81 %                                |  | 61 %                                   |  |                                   |  |   |  |                         |  |                          | 3 906 671   |  |  |
| Transfers recognised - operational                            | 62 686 243  | (626 000)   |  | 62 060 243               | - |  |  |   |  | 62 060 243   |  | 62 232 148     |  |                          |           | 171 905   |  | 100 %                               |  | 99 %                                   |  |                                   |  |   |  |                         |  |                          | 62 427 937  |  |  |
| Other revenue   | 4 526 364   | 1 483 000   |  | 6 009 364                | - |  |  |   |  | 6 009 364    |  | 7 636 213      |  |                          |           | 1 626 849   |  | 127 %                               |  | 169 %                                  |  |                                   |  |   |  |                         |  |                          | 5 439 044   |  |  |
| Total Revenue (excluding capital transfers and contributions) | 215 809 307 | 9 970 000   |  | 225 779 307              | - |  |  |   |  | 225 779 307  |  | 235 897 819    |  |                          |           | 10 118 512  |  | 104 %                               |  | 109 %                                  |  |                                   |  |   |  |                         |  |                          | 209 687 266 |  |  |

**Modimolle Local Municipality**  
**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2014**

| 2014/2013   |   |                          |  |   |              |                |                          |   |                                     |  |                                   |   |                         | 2013/2012                |  |  |  |  |  |  |  |  |  |  |  |  |  |
|---|---|--------------------------|--|---|--------------|----------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Original Budget   | Budget Adjustments (i.e. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.e. s31 of the MFMA) | Virement (i.e. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Rand  | Rand  | Rand                     | Rand                                     | Rand                                    | Rand         | Rand           | Rand                     | Rand  | Rand                                | Rand                                   | Rand                              | Rand  | Rand                    | Rand                     |  |  |  |  |  |  |  |  |  |  |  |  |  |
|   |   |                          |  |   |              |                |                          |   |                                     |  |                                   |   |                         |                          |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Employee related costs                                    | 76 219 517  | 10 335 751               | 86 555 268                               | -                                       | 86 555 268   | 96 655 527     | -                        | 10 100 259  | 112 %                               | 127 %                                  | -                                 | -   | -                       | 70 160 391               |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Remuneration of councillors                               | 5 831 500   | 660 200                  | 6 491 700                                | -                                       | 6 491 700    | 5 980 488      | -                        | (511 212)   | 92 %                                | 103 %                                  | -                                 | -   | -                       | 5 263 986                |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Debt impairment   | 5 000 000   | -                        | 5 000 000                                | -                                       | 5 000 000    | 13 886 529     | -                        | 8 886 529   | 278 %                               | 278 %                                  | -                                 | -   | -                       | 1 163 513                |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Depreciation & asset impairment                           | 33 274 450  | (6 057 102)              | 27 217 348                               | -                                       | 27 217 348   | 44 484 423     | -                        | 17 267 075  | 163 %                               | 134 %                                  | -                                 | -   | -                       | 23 419 178               |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Finance charges   | 3 026 000   | (16 000)                 | 3 010 000                                | -                                       | 3 010 000    | 2 750 533      | -                        | (259 367)   | 91 %                                | 91 %                                   | -                                 | -   | -                       | 2 783 110                |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Bulk purchases  | 71 500 000  | 9 300 000                | 80 800 000                               | -                                       | 80 800 000   | 77 381 732     | -                        | (3 418 268)   | 96 %                                | 108 %                                  | -                                 | -   | -                       | 67 252 198               |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other materials   | 8 240 340   | 39 270                   | 8 279 610                                | -                                       | 8 279 610    | 8 386 906      | -                        | 107 296   | 101 %                               | 102 %                                  | -                                 | -   | -                       | 7 164 291                |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Contracted services                                       | 7 700 000   | -                        | 7 700 000                                | -                                       | 7 700 000    | 9 822 389      | -                        | 2 122 389   | 128 %                               | 128 %                                  | -                                 | -   | -                       | 7 150 070                |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other expenditure   | 39 806 898  | 409 629                  | 40 216 527                               | -                                       | 40 216 527   | 34 083 274     | -                        | (6 133 253)   | 85 %                                | 86 %                                   | -                                 | -   | -                       | 37 365 693               |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Loss on disposal of PPE                                   | -   | -                        | -  | -                                       | -            | 1 039 128      | -                        | 1 039 128   | DIV/0 %                             | DIV/0 %                                | -                                 | -   | -                       | (445 189)                |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Expenditure   | 250 598 705                                       | 14 671 748               | 265 270 453                              | -                                       | 265 270 453  | 294 471 089    | -                        | 29 200 636  | 111 %                               | 118 %                                  | -                                 | -   | -                       | 221 277 241              |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Surplus/(Deficit)   | (34 789 398)                                      | (4 701 748)              | (39 491 146)                             | -                                       | (39 491 146) | (58 573 270)   | -                        | (19 082 124)  | 148 %                               | 168 %                                  | -                                 | -   | -                       | (11 589 975)             |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Transfers recognised - capital                            | 49 672 757  | 19 479 525               | 69 152 282                               | -                                       | 69 152 282   | 43 575 388     | -                        | (25 576 894)  | 63 %                                | 88 %                                   | -                                 | -   | -                       | 37 636 649               |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Surplus/(Deficit) after capital transfers & contributions | 14 883 359  | 14 777 777               | 29 661 136                               | -                                       | 29 661 136   | (14 997 882)   | -                        | (44 659 018)  | (51)%                               | (101)%                                 | -                                 | -   | -                       | 26 046 674               |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Surplus/(Deficit) after taxation                          | 14 883 359  | 14 777 777               | 29 661 136                               | -                                       | 29 661 136   | (14 997 882)   | -                        | (44 659 018)  | (51)%                               | (101)%                                 | -                                 | -   | -                       | 26 046 674               |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Surplus/(Deficit) attributable to municipality            | 14 883 359  | 14 777 777               | 29 661 136                               | -                                       | 29 661 136   | (14 997 882)   | -                        | (44 659 018)  | (51)%                               | (101)%                                 | -                                 | -   | -                       | 26 046 674               |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Surplus/(Deficit) for the year                            | 14 883 359  | 14 777 777               | 29 661 136                               | -                                       | 29 661 136   | (14 997 882)   | -                        | (44 659 018)  | (51)%                               | (101)%                                 | -                                 | -   | -                       | 26 046 674               |  |  |  |  |  |  |  |  |  |  |  |  |  |

# Modimolle Local Municipality

## Appendix G4

### Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2014

| 2014/2013                                 |  |   |             |                          |   |  |            |   |   |              |      |                |   | 2013/2012                |   |   |   |                                     |   |  |   |                                   |   |   |   |                         |   |                          |   |  |  |
|---|--|---|-------------|--------------------------|---|--|------------|---|---|--------------|------|----------------|---|--------------------------|---|---|---|-------------------------------------|---|--|---|-----------------------------------|---|---|---|-------------------------|---|--------------------------|---|--|--|
| Original Budget                           |  | Budget Adjustments (I.t.o. s28 and s31 of the MFMA) |             | Final adjustments budget |   | Shifting of funds (I.t.o. s31 of the MFMA) |            | Virement (I.t.o. Council approved policy) |   | Final Budget |      | Actual Outcome |   | Unauthorised expenditure |   | Variance of Actual Outcome against Adjustments Budget |   | Actual Outcome as % of Final Budget |   | Actual Outcome as % of Original Budget |   | Reported unauthorised expenditure |   | Expenditure authorised in terms of section 32 of MFMA |   | Balance to be recovered |   | Restated Audited Outcome |   |  |  |
| Rand                                      |  | Rand  |             | Rand                     |   | Rand                                       |            | Rand                                      |   | Rand         |      | Rand           |   | Rand                     |   | Rand  |   | Rand                                |   | Rand                                   |   | Rand                              |   | Rand  |   | Rand                    |   | Rand                     |   |  |  |
| Capital expenditure - Vote                |  |   |             |                          |   |  |            |   |   |              |      |                |   |                          |   |   |   |                                     |   |  |   |                                   |   |   |   |                         |   |                          |   |  |  |
| Multi-year expenditure                    |  |   |             |                          |   |  |            |   |   |              |      |                |   |                          |   |   |   |                                     |   |  |   |                                   |   |   |   |                         |   |                          |   |  |  |
| Vote 3 - Social Services                  |  | -   | 4 520 995   | 4 520 995                | - | -  | 4 520 995  | 2 661 892                                 | - | (1 859 103)  | 59 % | DIV/0 %        | - | -                        | - | -   | - | -                                   | - | -                                      | - | -                                 | - | -   | - | -                       | - | -                        | - |  |  |
| Vote 5 - Technical Services               |  | 42 372 757  | 13 672 531  | 56 045 288               | - | -  | 56 045 288 | 30 358 383                                | - | (25 686 905) | 54 % | 72 %           | - | -                        | - | -   | - | -                                   | - | -                                      | - | -                                 | - | -   | - | -                       | - | -                        | - |  |  |
| Capital multi-year expenditure sub-total  |  | 42 372 757  | 18 193 526  | 60 566 283               | - | -  | 60 566 283 | 33 020 275                                | - | (27 546 008) | 55 % | 78 %           | - | -                        | - | -   | - | -                                   | - | -                                      | - | -                                 | - | -   | - | -                       | - | -                        | - |  |  |
| Single-year expenditure                   |  |   |             |                          |   |  |            |   |   |              |      |                |   |                          |   |   |   |                                     |   |  |   |                                   |   |   |   |                         |   |                          |   |  |  |
| Vote 2 - Budget and Treasury              |  | -   | 207 000     | 207 000                  | - | -  | 207 000    | 47 169                                    | - | (159 831)    | 23 % | DIV/0 %        | - | -                        | - | -   | - | -                                   | - | -                                      | - | -                                 | - | -   | - | -                       | - | -                        | - |  |  |
| Vote 3 - Social Services                  |  | 3 000 000   | (864 500)   | 2 135 500                | - | -  | 2 135 500  | 592 765                                   | - | (1 542 735)  | 28 % | 20 %           | - | -                        | - | -   | - | -                                   | - | -                                      | - | -                                 | - | -   | - | -                       | - | -                        | - |  |  |
| Vote 4 - Corporate Services               |  | -   | 230 150     | 230 150                  | - | -  | 230 150    | 83 582                                    | - | (146 568)    | 36 % | DIV/0 %        | - | -                        | - | -   | - | -                                   | - | -                                      | - | -                                 | - | -   | - | -                       | - | -                        | - |  |  |
| Vote 5 - Technical Services               |  | 14 300 000  | (3 424 000) | 10 876 000               | - | -  | 10 876 000 | 10 046 787                                | - | (829 213)    | 92 % | 70 %           | - | -                        | - | -   | - | -                                   | - | -                                      | - | -                                 | - | -   | - | -                       | - | -                        | - |  |  |
| Vote 6 - Planning and Development         |  | -   | 106 000     | 106 000                  | - | -  | 106 000    | -   | - | (106 000)    | -    | DIV/0 %        | - | -                        | - | -   | - | -                                   | - | -                                      | - | -                                 | - | -   | - | -                       | - | -                        | - |  |  |
| Capital single-year expenditure sub-total |  | 17 300 000  | (3 745 350) | 13 554 650               | - | -  | 13 554 650 | 10 770 303                                | - | (2 784 347)  | 79 % | 62 %           | - | -                        | - | -   | - | -                                   | - | -                                      | - | -                                 | - | -   | - | -                       | - | -                        | - |  |  |
| Total Capital Expenditure - Vote          |  |   |             |                          |   |  |            |   |   |              |      |                |   |                          |   |   |   |                                     |   |  |   |                                   |   |   |   |                         |   |                          |   |  |  |
|   |  | 59 672 757  | 14 448 176  | 74 120 933               | - | -  | 74 120 933 | 43 790 578                                | - | (30 330 355) | 59 % | 73 %           | - | -                        | - | -   | - | -                                   | - | -                                      | - | -                                 | - | -   | - | -                       | - | -                        | - |  |  |

# Modimolle Local Municipality

## Appendix G4

### Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2014

| 2014/2013                            |  |  |   |              |            |                          |   |   |                                 |   | 2013/2012 |   |            |            |              |              |      |                |   |   |                          |   |   |   |   |   |                                     |   |   |  |   |   |                                   |   |   |   |   |   |                         |   |   |                          |  |  |
|--------------------------------------|--|--|---|--------------|------------|--------------------------|---|---|---------------------------------|---|-----------|---|------------|------------|--------------|--------------|------|----------------|---|---|--------------------------|---|---|---|---|---|-------------------------------------|---|---|--|---|---|-----------------------------------|---|---|---|---|---|-------------------------|---|---|--------------------------|--|--|
| Original Budget                      |  |  | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) |              |            | Final adjustments budget |   |   | Shifting of funds (i.t.o. MFMA) |   |           | Virement (i.t.o. Council approved policy) |            |            | Final Budget |              |      | Actual Outcome |   |   | Unauthorised expenditure |   |   | Variance of Actual Outcome against Adjustments Budget |   |   | Actual Outcome as % of Final Budget |   |   | Actual Outcome as % of Original Budget |   |   | Reported unauthorised expenditure |   |   | Expenditure authorised in terms of section 32 of MFMA |   |   | Balance to be recovered |   |   | Restated Audited Outcome |  |  |
| Rand                                 |  |  | Rand  |              |            | Rand                     |   |   | Rand                            |   |           | Rand                                      |            |            | Rand         |              |      | Rand           |   |   | Rand                     |   |   | Rand  |   |   | Rand                                |   |   | Rand                                   |   |   | Rand                              |   |   | Rand  |   |   | Rand                    |   |   |                          |  |  |
| Capital Expenditure - Standard       |  |  |   |              |            |                          |   |   |                                 |   |           |   |            |            |              |              |      |                |   |   |                          |   |   |   |   |   |                                     |   |   |  |   |   |                                   |   |   |   |   |   |                         |   |   |                          |  |  |
| Governance and administration        |  |  | -   | 437 150      | 437 150    | -                        | - | - | -                               | - | -         | -   | 437 150    | 130 751    | -            | (306 399)    | 30 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - |                          |  |  |
| Budget and treasury office           |  |  | -   | 207 000      | 207 000    | -                        | - | - | -                               | - | -         | -   | 207 000    | 47 169     | -            | (159 831)    | 23 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - | -                        |  |  |
| Corporate services                   |  |  | -   | 230 150      | 230 150    | -                        | - | - | -                               | - | -         | -   | 230 150    | 83 582     | -            | (146 568)    | 36 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - | -                        |  |  |
| Community and public safety          |  |  | 3 000 000   | 3 561 495    | 6 561 495  | -                        | - | - | -                               | - | -         | -   | 6 561 495  | 3 185 971  | -            | (3 375 524)  | 49 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - | -                        |  |  |
| Community and social services        |  |  | -   | 2 561 301    | 2 561 301  | -                        | - | - | -                               | - | -         | -   | 2 561 301  | 951 823    | -            | (1 609 478)  | 37 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - | -                        |  |  |
| Sport and recreation                 |  |  | 3 000 000   | 985 194      | 3 985 194  | -                        | - | - | -                               | - | -         | -   | 3 985 194  | 2 220 532  | -            | (1 764 662)  | 56 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - | -                        |  |  |
| Public safety                        |  |  | -   | 15 000       | 15 000     | -                        | - | - | -                               | - | -         | -   | 15 000     | 13 616     | -            | (1 384)      | 91 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - |                          |  |  |
| Economic and environmental services  |  |  | 30 407 000  | 5 507 000    | 35 914 000 | -                        | - | - | -                               | - | -         | -   | 35 914 000 | 22 929 310 | -            | (12 984 690) | 64 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - | -                        |  |  |
| Planning and development             |  |  | -   | 575 000      | 575 000    | -                        | - | - | -                               | - | -         | -   | 575 000    | 395 434    | -            | (179 566)    | 69 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - | -                        |  |  |
| Road transport                       |  |  | 30 407 000  | 4 932 000    | 35 339 000 | -                        | - | - | -                               | - | -         | -   | 35 339 000 | 22 533 876 | -            | (12 805 124) | 64 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - | -                        |  |  |
| Trading services                     |  |  | 26 265 757  | 4 942 531    | 31 208 288 | -                        | - | - | -                               | - | -         | -   | 31 208 288 | 17 544 548 | -            | (13 663 740) | 56 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - | -                        |  |  |
| Electricity                          |  |  | 22 300 000  | (3 493 769)  | 18 806 231 | -                        | - | - | -                               | - | -         | -   | 18 806 231 | 17 065 316 | -            | (1 740 915)  | 91 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - | -                        |  |  |
| Water                                |  |  | -   | 177 000      | 177 000    | -                        | - | - | -                               | - | -         | -   | 177 000    | 152 966    | -            | (24 034)     | 86 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - |                          |  |  |
| Waste water management               |  |  | 3 965 757   | 8 164 300    | 12 130 057 | -                        | - | - | -                               | - | -         | -   | 12 130 057 | 257 579    | -            | (11 872 478) | 2 %  | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - |                          |  |  |
| Waste management                     |  |  | -   | 95 000       | 95 000     | -                        | - | - | -                               | - | -         | -   | 95 000     | 68 687     | -            | (26 313)     | 72 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - |                          |  |  |
| Total Capital Expenditure - Standard |  |  | 59 672 757  | 14 448 176   | 74 120 933 | -                        | - | - | -                               | - | -         | -   | 74 120 933 | 43 790 580 | -            | (30 330 353) | 59 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - |                          |  |  |
| Funded by:                           |  |  |   |              |            |                          |   |   |                                 |   |           |   |            |            |              |              |      |                |   |   |                          |   |   |   |   |   |                                     |   |   |  |   |   |                                   |   |   |   |   |   |                         |   |   |                          |  |  |
| National Government                  |  |  |   |              |            |                          |   |   |                                 |   |           |   |            |            |              |              |      |                |   |   |                          |   |   |   |   |   |                                     |   |   |  |   |   |                                   |   |   |   |   |   |                         |   |   |                          |  |  |
| Transfers recognised - capital       |  |  | 49 672 757  | 19 479 526   | 69 152 283 | -                        | - | - | -                               | - | -         | -   | 69 152 283 | 40 052 186 | -            | (29 100 097) | 58 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - |                          |  |  |
| Borrowing                            |  |  | 10 000 000  | (10 000 000) | -          | -                        | - | - | -                               | - | -         | -   | 69 152 283 | 40 052 186 | -            | (29 100 097) | 58 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - |                          |  |  |
| Internally generated funds           |  |  | -   | 4 968 650    | 4 968 650  | -                        | - | - | -                               | - | -         | -   | 4 968 650  | 3 738 391  | -            | (1 230 259)  | 75 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - |                          |  |  |
| Total Capital Funding                |  |  | 59 672 757  | 14 448 176   | 74 120 933 | -                        | - | - | -                               | - | -         | -   | 74 120 933 | 43 790 577 | -            | (30 330 356) | 59 % | DIV/0 %        | - | - | -                        | - | - | -   | - | - | -                                   | - | - | -                                      | - | - | -                                 | - | - | -   | - | - | -                       | - | - |                          |  |  |



**Modimolle Local Municipality**  
**Appendix G5**  
**Budgeted Cash Flows**  
**for the year ended 30 June 2014**

| 2014/2013   |   |              |               |                |   |                                     |  |                          |            | 2013 |      |      |      |
|---|---|--------------|---------------|----------------|---|-------------------------------------|--|--------------------------|------------|------|------|------|------|
| Original Budget                                   | Budget Adjustments (i.e. s28 and s31 of the MFMA) | Final Budget | Final Budget  | Actual Outcome | Variance of Actual Outcome Against Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |            |      |      |      |      |
| Rand  | Rand  | Rand         | Rand          | Rand           | Rand                                      | Rand                                | Rand                                   | Rand                     | Rand       | Rand | Rand | Rand | Rand |
| <b>Cash flow from operating activities</b>        |   |              |               |                |   |                                     |  |                          |            |      |      |      |      |
| Receipts  |   |              |               |                |   |                                     |  |                          |            |      |      |      |      |
| Ratepayers and other                              | 141 534 543                                       | 10 874 140   | 152 408 683   | 152 408 683    | 165 809 964                               | 13 401 281                          | 109 %                                  | 117 %                    | -          |      |      |      |      |
| Government - operating                            | 62 686 244  | (626 000)    | 62 060 244    | 62 060 244     | 62 232 148                                | 171 804                             | 100 %                                  | 99 %                     | -          |      |      |      |      |
| Government - capital                              | 49 672 757  | (4 374 000)  | 45 298 757    | 45 298 757     | 43 161 852                                | (2 136 905)                         | 95 %                                   | 87 %                     | -          |      |      |      |      |
| Interest  | 2 700 000   | (200 000)    | 2 500 000     | 2 500 000      | 2 712 028                                 | 212 028                             | 108 %                                  | 100 %                    | -          |      |      |      |      |
| Dividends   | -   | -            | -             | -              | -   | -                                   | DIV/O %                                | DIV/O %                  | -          |      |      |      |      |
| Payments  | (211 742 583)                                     | -            | (211 742 583) | (231 894 606)  | (20 152 023)                              | (20 152 023)                        | 110 %                                  | 110 %                    | -          |      |      |      |      |
| Suppliers and employees                           | (1 326 000)                                       | -            | (1 326 000)   | (585 383)      | 740 617                                   | 44 %                                | 44 %                                   | 44 %                     | -          |      |      |      |      |
| Finance charges                                   | -   | -            | -             | -              | -   | -                                   | DIV/O %                                | DIV/O %                  | -          |      |      |      |      |
| Transfers and Grants                              | -   | -            | -             | -              | -   | -                                   | -                                      | -                        | -          |      |      |      |      |
| Net cash flow from/used operating activities      | 43 524 961  | 5 674 140    | 49 199 101    | 49 199 101     | 41 436 003                                | (7 763 098)                         | 84 %                                   | 95 %                     | -          |      |      |      |      |
| <b>Cash flow from investing activities</b>        |   |              |               |                |   |                                     |  |                          |            |      |      |      |      |
| Receipts  |   |              |               |                |   |                                     |  |                          |            |      |      |      |      |
| Proceeds on disposal of PPE                       | -   | -            | -             | -              | 8 792 679                                 | 8 792 679                           | DIV/O %                                | DIV/O %                  | -          |      |      |      |      |
| Decrease (Increase) in non-current debtors        | -   | -            | -             | -              | -   | -                                   | DIV/O %                                | DIV/O %                  | -          |      |      |      |      |
| Decrease (Increase) other non-current receivables | -   | -            | -             | -              | -   | -                                   | DIV/O %                                | DIV/O %                  | -          |      |      |      |      |
| Decrease (Increase) in non-current investments    | -   | -            | -             | -              | (484 892)                                 | (484 892)                           | DIV/O %                                | DIV/O %                  | -          |      |      |      |      |
| Payments  | (56 689 119)                                      | (13 725 767) | (70 414 886)  | (66 324 694)   | 4 090 192                                 | 4 090 192                           | 94 %                                   | 117 %                    | -          |      |      |      |      |
| Capital assets                                    | (56 689 119)                                      | (13 725 767) | (70 414 886)  | (58 016 907)   | 12 397 979                                | 12 397 979                          | 82 %                                   | 102 %                    | -          |      |      |      |      |
| Net cash flow from/used investing activities      |   |              |               |                |   |                                     |  |                          |            |      |      |      |      |
| <b>Cash flow from financing activities</b>        |   |              |               |                |   |                                     |  |                          |            |      |      |      |      |
| Receipts  |   |              |               |                |   |                                     |  |                          |            |      |      |      |      |
| Short term loans                                  | -   | -            | -             | -              | -   | -                                   | DIV/O %                                | DIV/O %                  | -          |      |      |      |      |
| Borrowing long term/refinancing                   | 10 000 000  | (10 000 000) | -             | -              | (2 320 289)                               | (2 320 289)                         | DIV/O %                                | DIV/O %                  | -          |      |      |      |      |
| Increase (decrease) in consumer deposits          | 50 000  | -            | 50 000        | 50 000         | (2 082 910)                               | (2 132 910)                         | (4 166)%                               | (4 166)%                 | -          |      |      |      |      |
| Payments  | 733 476   | -            | 733 476       | 733 476        | (366 922)                                 | (1 100 398)                         | (50)%                                  | (50)%                    | -          |      |      |      |      |
| Repayment of borrowing                            | -   | -            | -             | -              | -   | -                                   | -                                      | -                        | -          |      |      |      |      |
| Net cash flow from/used financing activities      | 10 783 476  | (10 000 000) | 783 476       | 783 476        | (4 770 121)                               | (5 553 597)                         | (609)%                                 | (44)%                    | -          |      |      |      |      |
| Net Increase/(decrease) in cash held              | (2 380 682)                                       | (18 051 627) | (20 432 309)  | (20 432 309)   | (21 351 025)                              | (918 716)                           | 104 %                                  | 897 %                    | -          |      |      |      |      |
| Cash/cash equivalents at the year begin:          |   |              |               |                | 56 119 803                                |                                     |  |                          | 55 498 861 |      |      |      |      |
| Cash/cash equivalents at the year end:            | (2 380 682)                                       | (18 051 627) | (20 432 309)  | (20 432 309)   | 34 768 778                                | (918 716)                           | (170)%                                 | (1 460)%                 |            |      |      |      |      |

## **Chapter 6**

### **AUDITOR GENERAL AUDIT FINDINGS**

# REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE AND THE COUNCIL OF THE MODIMOLLE LOCAL MUNICIPALITY

## Report on the financial statements

### Introduction

1. I have audited the financial statements of the Modimolle Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and the Division of Revenue Act of South Africa, 2013 (Act No.2 of 2013) (DoRA) for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Cash and cash equivalents

6. I have identified old reconciling items to the amount of R11 918 968 (2013: R4 306 755) which were included in the year-end bank reconciliation. I was unable to confirm these reconciling items by alternative means. Consequently I was unable to determine whether any adjustment relating to bank balances in cash and cash equivalents stated at R6 792 665 (2013: R25 287 332) in note 12 to the financial statements were necessary.

Value Added Tax (VAT)

7. The municipality could not provide me with supporting documentation for a difference identified between the general ledger and the VAT 201 returns amounting to R3 425 216 (2013: R5 178 502). The municipality's records did not permit the application of alternative procedures regarding this amount. Consequently, I was unable to determine whether any adjustments relating to the VAT payable stated at R25 970 78 (2013: R21 136 174) in financial statements were necessary.

8. During 2013, I was unable to obtain sufficient appropriate audit evidence for journal entries amounting to R929 331 for which no sufficient appropriate audit evidence could be provided. I was unable to confirm these journal entries by alternative means.

Consequently, I was unable to determine whether any adjustment to VAT payables stated at R21 136 174 was necessary. My audit opinion on the financial statements for the period ended 30 June 2013 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

9. During 2013, the municipality had claimed VAT amounting to R1 016 124 without having a valid tax invoice. As a result, operating expenditure was overstated and VAT payable understated by R1 016 124. My audit opinion on the financial statements for the period ended 30 June 2013 was modified accordingly. My opinion on the current period's financial statements is also modified because of the effect of this matter on the comparability of the current period's figures.

Receivables from non-exchange transactions

10. Included in receivables from non-exchange transaction is an item of R4 142 073 for which no sufficient appropriate audit evidence could be provided. I was unable to confirm this amount by alternative means. Consequently I was unable to determine whether any adjustments relating to the receivables from non-exchange transaction stated at R24 179 309 in the financial statements were necessary.

#### Receivables from exchange transactions

11. The Standard of Generally Recognised Accounting Practice, GRAP 104, *Financial Instruments*, states that an entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective. The municipality did not apply the above stated principles of GRAP 104 while assessing receivables for impairment. Consequently I was not able to determine the correct amount of provision for impairment stated at R27 371 247 (2013: R24 401 712), as it was impracticable to do so.

#### Payables from exchange transactions

12. During 2013, I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions, other creditors and retentions amounting to R18 757 806. I was unable to confirm these payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment to payables from exchange transactions stated at R31 592 256 was necessary. My audit opinion on the financial statements for the period ended 30 June 2013 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

13. During 2013, I was unable to obtain sufficient appropriate audit evidence for journal entries amounting to R18 763 806. I was unable to confirm these journal entries by alternative means. Consequently, I was unable to determine whether any adjustment to payables from exchange transactions stated at R31 592 256 was necessary. My audit opinion on the financial statements for the period ended 30 June 2013 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

#### Expenditure

14. During 2013, I was unable to obtain sufficient appropriate audit evidence for expenditure amounting to R15 951 321. I was unable to confirm these expenditures by alternative means. Consequently, I was unable to determine whether any adjustment to the bulk purchases, contracted services and general expenses amounting to R111 721 184 was necessary. My audit opinion on the financial statements for the period ended 30 June 2013 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

#### Irregular Expenditure

15. The municipality did not include particulars of irregular expenditure in the notes to the financial statements, as required by Section 125 (2)(a)(i) of the MFMA. The municipality made payments in contravention of the supply chain management requirements that

were not included in irregular expenditure stated at R6 363 708 (2013: R6 058 229) in note 43 of the financial statements. I was not able to determine the correct amount of irregular expenditure as it was impracticable to do so.

#### Qualified Opinion

16. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Modimolle local municipality as at 30 June 2014 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

#### Emphasis of matters

17. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### Restatement of corresponding figures

18. As disclosed in note 34 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of an error discovered during 2014 in the financial statements of the municipality at, and for the year ended, 30 June 2013.

#### Material losses and impairments

19. As disclosed in note 10 to the financial statements, material losses to the amount of R10 050 001 were incurred as a result of a write-off of irrecoverable trade debtors.
20. As disclosed in note 50 to the financial statements, material distribution losses of 19.39% relating to water services were incurred as a result of ageing infrastructure.

#### Material under spending of the budget and conditional grants

21. With reference to note 15 to the financial statements, the municipality materially underspent its conditional grants for the year under review by R23 467 722.

#### Additional matter

22. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### Unaudited supplementary schedules

23. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

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## Unaudited disclosure notes

24. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

## Report on other legal and regulatory requirements

25. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

26. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2014.
- Development priority: Promote welfare of the community on pages X to X
  - Development priority: Resource management and infrastructure services on pages X to X.
27. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
28. I evaluated the usefulness of reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priority. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPII).
29. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
30. The material findings in respect of the selected programmes are as follows:
- Promote welfare of the community
  - Usefulness of reported performance information
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31. Section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) requires the integrated development plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 27% of the reported targets were not consistent with those in the approved integrated development plan. This was due to limited review of the reporting documents.

Reliability of reported performance information

32. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets were not reliable when compared to the source information or evidence provided. This was due to a lack of monitoring of the completeness of source documentation in support of actual achievements and lack of frequent review of the validity of reported achievements against source documentation.

Resource management and infrastructure services

Usefulness of reported performance information

33. The FMPPI requires the following:

- Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. A total of 20% were not well defined.

This was because management was not trained in the requirements of the FMPPI.

Reliability of reported performance information

34. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. We were unable to obtain the information and explanations we considered necessary to satisfy ourselves as to the reliability of the reported performance information. This was due to the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

Additional matters

35. I draw attention to the following matters:

Achievement of planned targets

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36. Refer to the annual performance report on pages X to X and X to X for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on usefulness and reliability of the reported performance information for the selected programmes reported in paragraphs 22 to 25 of this report.

#### Unaudited supplementary schedules

37. The supplementary information set out on pages x to x does not form part of the annual performance report and is presented as additional information. We have not audited these schedules and, accordingly, we do not express a conclusion thereon.

#### Compliance with laws and regulations

#### Strategic Planning and Performance Management

38. Revisions to the service delivery and budget implementation plan were not approved by the council after the approval of the adjustments budget, as required by section 54(1)(c) of the MFMA.

39. The annual performance report for the year under review did not include a comparison of the performance with set targets and a comparison with the previous financial year and measures taken to improve performance as required by section 46 (1)(b) and (c) of the MSA.

40. The performance management system and related controls were inadequate as it did not describe and represent the processes of performance planning, monitoring measurement, review, reporting, improvement and how it is conducted, organised and managed, including determining the roles of the different role-players, as required by Sections 38 of the MSA and regulation 7 of the *Municipal planning and performance management regulations*.

#### Budgets

41. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of Section 87(8) of the MFMA.

#### Annual financial statements, performance and annual reports

42. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and/or the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

#### Procurement and contract management

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43. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements and a procurement process which is fair, equitable, transparent and competitive, as the contracts were not made available for the purposes of audit.
  44. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c).
  45. Bid adjudication was not always done by committees which were composed in accordance with SCM regulation 29(2).
  46. Invitations for competitive bidding were not always advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2).
  47. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
  48. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act and CIDB Regulation 18.
  49. Contracts were extended/ modified without tabling the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA.
  50. Contracts and quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM Regulation 43.
- Human resource management and compensation
51. An acting municipal manager was appointed for a period of more than six months, in contravention of section 54A (2A) of the MSA.  
Expenditure Management
  52. Money owed by the municipality was not always paid within 30 days, as required by Section 65(2) (e) of the MFMA.
  53. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, accounted for creditors and accounted for payments made, as required by section 65(2)(b) of the MFMA.
  54. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1) (d) of the MFMA.

Revenue management

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55. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by Section 64(2)(e) of the MFMA.

56. An effective system of internal control for debtors was not in place, as required by Section 64(2)(f) of the MFMA.

#### Asset management and liability management

57. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

#### Internal control

58. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on noncompliance with legislation included in this report.

#### Leadership

59. Management designed controls to prevent non-compliance with laws and regulations; however, these were not adequately implemented and reviewed throughout the year.

Action plans were developed but not fully implemented, hence the recurrence of findings identified in the prior year.

#### Financial and performance management

60. A lack of adequate technical knowledge within management with regard to the preparation of financial statements and a lack of adherence to laws and regulations resulted in the qualified opinion on the financial statements.

61. A lack of technical knowledge in the finance section with regard to new accounting standards and legislation applicable to the municipality to adequately perform their functions relating to regular reconciliations, adherence to laws and regulations and reporting against predetermined objectives.

62. There is no monitoring of, and controls within the performance management process to ensure performance against predetermined objectives are useful and reliable.

Polokwane

28 November 2014

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